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天伦燃气
TIANLUN GAS

China Tian Lun Gas Holdings Limited

中國天倫燃氣控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 01600)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

Highlights of results for the year ended 31 December 2020:

- Revenue was RMB6,440 million, representing a slight decrease of 1.7% as compared with RMB6,549 million for the corresponding period of last year.
- Profit attributable to owners of the Company was RMB1,044 million, representing an increase of 32.2% as compared with RMB789 million for the corresponding period of last year.
- Core profit for the year amounted to RMB895 million, representing an increase of 10.3% as compared with RMB811 million for the corresponding period of last year.
- Basic earnings per share were RMB1.04, representing an increase of 30.0% as compared with RMB0.80 for the corresponding period of last year.
- It is recommended to pay final dividends per share of RMB0.153 for the year of 2020. In 2020, a cumulative dividend of RMB0.267 per share was paid, representing an increase of 14.0% as compared with RMB0.2342 per share for the corresponding period of last year.

The board (the “**Board**”) of directors (the “**Directors**”) of China Tian Lun Gas Holdings Limited (the “**Company**”, together with its subsidiaries, collectively the “**Group**”) is pleased to announce the audited consolidated annual results of the Group for the year ended 31 December 2020 together with the audited comparative figures for the corresponding period of last year as follows.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | <i>Notes</i> | Year ended 31 December | |
|--|--------------|-------------------------------|-----------------------|
| | | 2020 | 2019 |
| | | RMB'000 | RMB'000 |
| Revenue | 3 | 6,439,777 | 6,548,618 |
| Cost of sales | 4 | <u>(4,653,652)</u> | <u>(4,844,726)</u> |
| Gross profit | | 1,786,125 | 1,703,892 |
| Distribution expenses | 4 | (59,483) | (57,965) |
| Administrative expenses | 4 | (193,281) | (196,020) |
| Other income | 5 | 9,828 | 4,720 |
| Other gains/(losses) — net | 6 | <u>160,189</u> | <u>(19,345)</u> |
| Operating profit | | 1,703,378 | 1,435,282 |
| Finance income | | 11,228 | 25,311 |
| Finance expenses | | <u>(250,351)</u> | <u>(290,896)</u> |
| Finance expenses — net | 7 | <u>(239,123)</u> | <u>(265,585)</u> |
| Share of results of associates and a joint venture | | <u>(45,880)</u> | <u>(42,317)</u> |
| Profit before income tax | | 1,418,375 | 1,127,380 |
| Income tax expense | 8 | <u>(354,702)</u> | <u>(313,915)</u> |
| Profit for the year | | <u>1,063,673</u> | <u>813,465</u> |
| Profit attributable to: | | | |
| — Owners of the Company | | 1,043,512 | 789,179 |
| — Non-controlling interests | | <u>20,161</u> | <u>24,286</u> |
| | | <u>1,063,673</u> | <u>813,465</u> |
| Earnings per share for profit attributable to owners of the Company for the year (expressed in RMB per share) | | | |
| — Basic earnings per share | 9 | 1.04 | 0.80 |
| — Diluted earnings per share | 9 | <u>1.04</u> | <u>0.79</u> |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*

| | Year ended 31 December | |
|--|-------------------------------|----------------|
| | 2020 | 2019 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Profit for the year | 1,063,673 | 813,465 |
| Other comprehensive income: | | |
| <i>Item that will not be reclassified to profit or loss</i> | | |
| Changes in the fair value of equity investments at fair value through other comprehensive income | (13,684) | 698 |
| Other comprehensive (loss)/income for the year, net of tax | (13,684) | 698 |
| Total comprehensive income for the year | 1,049,989 | 814,163 |
| Attributable to: | | |
| — Owners of the Company | 1,029,828 | 789,877 |
| — Non-controlling interests | 20,161 | 24,286 |
| | 1,049,989 | 814,163 |

CONSOLIDATED BALANCE SHEET

| | <i>Notes</i> | As at 31 December | |
|--|--------------|------------------------|------------------------|
| | | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
| ASSETS | | | |
| Non-current assets | | | |
| Right-of-use assets | | 267,789 | 251,696 |
| Property, plant and equipment | | 3,034,918 | 2,850,058 |
| Investment properties | | 47,022 | 50,047 |
| Intangible assets | | 4,087,446 | 3,874,972 |
| Investments accounted for using the equity method | | 783,924 | 806,395 |
| Deferred income tax assets | | 27,462 | 28,678 |
| Financial assets at fair value through other comprehensive income | | 61,500 | 79,746 |
| Trade and other receivables | 10 | 27,174 | 49,648 |
| Prepayments related to other non-current assets | | 218,386 | 49,409 |
| | | <hr/> | <hr/> |
| | | 8,555,621 | 8,040,649 |
| | | <hr/> | <hr/> |
| Current assets | | | |
| Inventories | | 115,876 | 204,949 |
| Contract assets | | 1,161,728 | 508,898 |
| Trade and other receivables | 10 | 1,393,096 | 1,548,124 |
| Financial assets at fair value through other comprehensive income | | 27,083 | 50,602 |
| Cash and cash equivalents | | 1,640,081 | 1,349,836 |
| Restricted cash | | 24,653 | 235,723 |
| | | <hr/> | <hr/> |
| | | 4,362,517 | 3,898,132 |
| | | <hr/> | <hr/> |
| Total assets | | 12,918,138 | 11,938,781 |
| | | <hr/> <hr/> | <hr/> <hr/> |

CONSOLIDATED BALANCE SHEET (Continued)

| | | As at 31 December | |
|--|--------------|--------------------------|-------------------|
| | <i>Notes</i> | 2020 | 2019 |
| | | <i>RMB'000</i> | <i>RMB'000</i> |
| EQUITY AND LIABILITIES | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | <i>11</i> | 8,466 | 8,430 |
| Share premium | <i>11</i> | 817,455 | 1,029,366 |
| Reserves | <i>12</i> | 556,177 | 454,530 |
| Retained earnings | | 3,317,103 | 2,398,458 |
| | | <hr/> | <hr/> |
| | | 4,699,201 | 3,890,784 |
| Non-controlling interests | | <hr/> | <hr/> |
| | | 281,086 | 296,536 |
| Total equity | | <hr/> | <hr/> |
| | | 4,980,287 | 4,187,320 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Borrowings | | 2,770,055 | 3,880,034 |
| Lease liabilities | | 4,226 | 6,060 |
| Deferred income tax liabilities | | 593,221 | 546,553 |
| Deferred income | | 13,899 | 5,984 |
| | | <hr/> | <hr/> |
| | | 3,381,401 | 4,438,631 |
| Current liabilities | | | |
| Trade and other payables | <i>13</i> | 1,363,567 | 1,202,124 |
| Contract liabilities | | 458,067 | 469,051 |
| Dividend payables | | 7,574 | 5,768 |
| Current income tax liabilities | | 398,237 | 319,913 |
| Borrowings | | 2,294,584 | 1,312,368 |
| Lease liabilities | | 3,976 | 3,606 |
| Financial liabilities at fair value through profit or loss | | 30,445 | — |
| | | <hr/> | <hr/> |
| | | 4,556,450 | 3,312,830 |
| Total liabilities | | <hr/> | <hr/> |
| | | 7,937,851 | 7,751,461 |
| Total equity and liabilities | | <hr/> | <hr/> |
| | | 12,918,138 | 11,938,781 |

1. GENERAL INFORMATION OF THE GROUP

China Tian Lun Gas Holdings Limited (the “**Company**”) was incorporated on 20 May 2010 in the Cayman Islands under the Companies Law (2010 Revision) of the Cayman Islands as an exempted company with limited liability. The Company is an investment holding company and was listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 10 November 2010.

The Company and its subsidiaries (hereinafter collectively referred to as the “**Group**”) are principally engaged in the engineering construction service by providing residential, commercial and industrial users with gas pipeline and infrastructure laying and installation and transportation, distribution and sales of gases including natural gas and compressed natural gas (“**CNG**”) and production and sales of liquefied natural gas (“**LNG**”) in bulk and in cylinders in certain cities of the People’s Republic of China (the “**PRC**”).

The address of the Company’s registered office is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman, KY1-1108, Cayman Islands.

These consolidated financial statements have been approved for issue by the Board of Directors on 31 March 2021.

These consolidated financial statements are presented in RMB, unless otherwise stated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As at 31 December 2020, the Group had net current liabilities of RMB193,933,000, the Group’s profit after tax was RMB1,063,673,000 and net cash inflow from operating activities was RMB1,389,706,000 for the year then ended.

The directors of the Company believe that the Group’s operating cash inflow and available source of bank borrowings will provide sufficient cash to support the Group’s operations and meet its liabilities and commitments as and when they fall due within the next twelve months from the balance sheet date. Accordingly, the directors of the Company have prepared these consolidated financial statements on a going concern basis.

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”) and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

The consolidated financial statements have been prepared on a historical cost basis, as modified by the revaluation of financial assets at fair value through other comprehensive income and financial assets and liabilities at fair value through profit or loss (including derivative instruments), which are carried at fair value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

New and amended standards adopted by the Group

The Group has applied the following amended standards and revised conceptual framework for the first time for their annual reporting period commencing 1 January 2020:

- Definition of Material — Amendments to HKAS 1 and HKAS 8
- Definition of a Business — Amendments to HKFRS 3
- Revised Conceptual Framework for Financial Reporting, and
- Interest Rate Benchmark Reform — Amendments to HKFRS 9, HKAS 39 and HKFRS 7

In addition, the Group has early adopted amendments to HKFRS 16 “COVID-19-related Rent Concessions” ahead of the effective date and applied the amendments from 1 January 2020.

These amendments and revised conceptual framework listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Changes in accounting policies

From 1 January 2020, the Group presented “interest paid” within “cash flow from financing activities”. Until 31 December 2019, “interest paid” was previously presented in “cash flow from operating activities”. The “interest paid” for the year ended 31 December 2019 was reclassified retrospectively to “cash flow from financing activities”. The adjustment details as below:

| For the year ended 31 December 2019 | As previously reported <i>RMB'000</i> | Interest paid reclassification <i>RMB'000</i> | As restated <i>RMB'000</i> |
|---|--|--|---------------------------------------|
| Net cash generated from operating activities | 971,327 | 322,234 | 1,293,561 |
| Net cash used in financing activities | (450,691) | (322,234) | (772,925) |

3. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the senior executive management team on monthly basis that are used to make strategic decisions.

The senior executive management team considers the business from a “product” perspective only, as geographically all the products are provided within the PRC, which is considered as one geographic location with similar risks and returns.

The reportable segments derive their revenue and profit primarily from sales of natural gas in cylinders, sales of natural gas in bulk and engineering construction services.

In 2020, the Group changed its internal organisational structure for the purpose of better resource allocation and assessment of segment performance. The senior executive management reviews business performance according to the types of end-users who use its products. For sales made to residential customers, industrial and commercial customers, and transportation customers is classified as sales of natural gas in cylinders; whereas for sales made to city gas enterprise customers for direct supply and wholesale purpose, and gas source trading customers is classified as sales of natural gas in bulk. Business segments are reclassified as: sales of natural gas in cylinders, sales of natural gas in bulk, engineering construction services and other segments. The senior executive management team assesses performance of the operating segments based on segment results which represent the profit before taxation earned by each segment without allocation of other income, other gains/(losses) — net, finance expense — net, share of results of associates and a joint venture, unallocated corporate expenses such as central administration costs and directors’ salaries. The segment reporting for the year ended 31 December 2019 was adjusted retrospectively.

The revenue from rental income of investment properties, value-added business and other miscellaneous income, has been reviewed by the senior executive management team, and its results are included in the “all other segments”.

The Group does not allocate assets and liabilities to its segments, as the senior executive management team do not use these information to allocate resources to or evaluate the performance of operating segment. Therefore, the Group does not report a measure of segment assets and liabilities for each reportable segment.

3. SEGMENT INFORMATION (Continued)

The segment information provided to the senior executive management team for the reportable segments for the year ended 31 December 2020 is as follows:

| | Sales of natural gas in cylinders RMB'000 | Sales of natural gas in bulk RMB'000 | Engineering construction services RMB'000 | All other segments RMB'000 | Inter- segment elimination RMB'000 | Unallocated RMB'000 | Total RMB'000 |
|---|--|---|--|----------------------------------|---|------------------------|------------------|
| Total revenue | 3,060,829 | 673,844 | 2,549,683 | 229,541 | (74,120) | — | 6,439,777 |
| Inter-segment revenue | — | — | — | 74,120 | (74,120) | — | — |
| External revenue | 3,060,829 | 673,844 | 2,549,683 | 155,421 | — | — | 6,439,777 |
| Timing of revenue recognition | | | | | | | |
| At a point in time | 3,060,829 | 673,844 | — | 152,218 | — | — | 3,886,891 |
| Over time | — | — | 2,549,683 | 3,203 | — | — | 2,552,886 |
| Segment profit | 385,136 | 49,994 | 1,028,549 | 82,547 | — | — | 1,546,226 |
| Unallocated expenses | | | | | | (12,865) | (12,865) |
| Other income | | | | | | 9,828 | 9,828 |
| Other gains/(losses) — net | | | | | | 160,189 | 160,189 |
| Operating profit | | | | | | | 1,703,378 |
| Finance expenses — net | | | | | | (239,123) | (239,123) |
| Share of results of associates and a joint venture | | | | | | (45,880) | (45,880) |
| Profit before income tax | | | | | | | 1,418,375 |
| Income tax expense | | | | | | (354,702) | (354,702) |
| Profit for the year | | | | | | | <u>1,063,673</u> |

3. SEGMENT INFORMATION (Continued)

The segment information provided to the senior executive management team for the reportable segments for the year ended 31 December 2019, as restated, is as follows:

| | Sales of natural gas in cylinders RMB'000 | Sales of natural gas in bulk RMB'000 | Engineering construction services RMB'000 | All other segments RMB'000 | Inter- segment elimination RMB'000 | Unallocated RMB'000 | Total RMB'000 |
|---|--|---|--|----------------------------------|---|------------------------|------------------|
| Total revenue | 2,980,255 | 1,081,158 | 2,355,353 | 198,394 | (66,542) | — | 6,548,618 |
| Inter-segment revenue | — | — | — | 66,542 | (66,542) | — | — |
| External revenue | 2,980,255 | 1,081,158 | 2,355,353 | 131,852 | — | — | 6,548,618 |
| Timing of revenue recognition | | | | | | | |
| At a point in time | 2,980,255 | 1,081,158 | — | 128,581 | — | — | 4,189,994 |
| Over time | — | — | 2,355,353 | 3,271 | — | — | 2,358,624 |
| Segment profit | 342,958 | 83,600 | 985,573 | 53,777 | — | — | 1,465,908 |
| Unallocated expenses | | | | | | (16,001) | (16,001) |
| Other income | | | | | | 4,720 | 4,720 |
| Other gains/(losses) — net | | | | | | (19,345) | (19,345) |
| Operating profit | | | | | | | 1,435,282 |
| Finance expenses — net | | | | | | (265,585) | (265,585) |
| Share of results of associates and a joint venture | | | | | | (42,317) | (42,317) |
| Profit before income tax | | | | | | | 1,127,380 |
| Income tax expense | | | | | | (313,915) | (313,915) |
| Profit for the year | | | | | | | <u>813,465</u> |

The principal subsidiaries of the Company are domiciled in the PRC. All the revenue from external customers are derived from the PRC, and all the non-current assets are located in the PRC.

During the year ended 31 December 2020, revenue of approximately RMB1,771,606,000 and 28% of the Group's total revenue, is derived from a single customer (2019: RMB1,591,209,000 and 24%). The revenue is attributable to the engineering construction service (2019: engineering construction service).

4. EXPENSES BY NATURE

| | Year ended 31 December | |
|---|------------------------|------------------|
| | 2020 | 2019 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Raw materials and consumables used | 3,507,196 | 3,772,782 |
| Depreciation on property, plant and equipment | 163,350 | 142,825 |
| Depreciation on investment properties | 3,025 | 2,978 |
| Amortisation of intangible assets | 97,502 | 90,227 |
| Employee benefit expenses | 204,825 | 203,611 |
| Depreciation of right-of-use assets | 11,789 | 9,266 |
| Licensing fee for the exclusive operating rights for city pipeline network | 1,100 | 1,100 |
| Engagement of construction and design services | 782,106 | 735,556 |
| Transportation costs | 6,833 | 6,623 |
| Travelling expenses | 5,105 | 8,887 |
| Maintenance costs | 20,559 | 19,320 |
| Auditors' remuneration | | |
| — Audit services | 3,450 | 3,500 |
| Professional expenses | 5,455 | 7,293 |
| Advertising expenses | 3,415 | 3,429 |
| Entertainment expenses | 11,840 | 14,216 |
| Office expenses | 16,756 | 17,566 |
| Taxes | 21,743 | 18,619 |
| Energy consumption | 26,461 | 32,163 |
| Net impairment loss | 9,771 | 6,170 |
| Miscellaneous | 4,135 | 2,580 |
| | <hr/> | <hr/> |
| Total cost of sales, distribution expenses and administrative expenses | 4,906,416 | 5,098,711 |
| | <hr/> <hr/> | <hr/> <hr/> |

5. OTHER INCOME

| | Year ended 31 December | |
|--|------------------------|----------------|
| | 2020 | 2019 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Government grants in relation to | | |
| — Tax refund | 3,114 | 1,996 |
| — Subsidies for local investment rewards and other incentives | 6,714 | 2,724 |
| | <hr/> | <hr/> |
| | 9,828 | 4,720 |
| | <hr/> <hr/> | <hr/> <hr/> |

6. OTHER GAINS/(LOSSES) — NET

| | Year ended 31 December | |
|---|------------------------|-----------------|
| | 2020 | 2019 |
| | RMB'000 | RMB'000 |
| Losses on disposal of a subsidiary | — | (10,718) |
| Gains on disposal of property, plant and equipment | 3,281 | 377 |
| Penalty and overdue fines | (2,023) | (1,809) |
| Changes in fair value of contingent consideration | 8,480 | 54,303 |
| Net exchange gains/(losses) | 188,536 | (61,724) |
| Losses on forward exchange instrument | (30,445) | — |
| Disposal losses of notes receivable measured at fair value through other comprehensive income | (2,691) | (2,337) |
| Others | (4,949) | 2,563 |
| | <u>160,189</u> | <u>(19,345)</u> |

7. FINANCE EXPENSES — NET

| | Year ended 31 December | |
|---|------------------------|-----------------|
| | 2020 | 2019 |
| | RMB'000 | RMB'000 |
| Finance income | | |
| — Interest income from bank deposits, bank products and third parties | (11,228) | (16,327) |
| — Investment gains on financial assets at fair value through profit or loss Investment in a trust | — | (8,984) |
| | <u>(11,228)</u> | <u>(25,311)</u> |
| Finance expenses | | |
| — Interest expense on borrowings | 260,550 | 317,099 |
| — Leasing liabilities | 102 | 496 |
| — Others | 5,676 | 2,878 |
| Less: amounts capitalised on qualifying assets | (15,977) | (29,577) |
| | <u>250,351</u> | <u>290,896</u> |
| | <u>239,123</u> | <u>265,585</u> |

8. INCOME TAX EXPENSE

- (a) The Company is not subject to profits tax in its country of incorporation.
- (b) Hong Kong profits tax

For the years ended 31 December 2020 and 31 December 2019, there are no Hong Kong profits tax applicable (tax rate 16.5%) to any Group entities.

- (c) PRC corporate income tax (the “**PRC CIT**”)

All the Company’s subsidiaries incorporated in the PRC are subject to the PRC CIT, which has been provided based on the statutory income tax rate of the assessable income of each of such companies during the years ended 31 December 2020 and 31 December 2019, as determined in accordance with the relevant PRC income tax rules and regulations. The CIT rate of all the relevant subsidiaries operating in the PRC is 25% (2019: 25%), except for Baiyin Natural Gas Limited, Li Quan County Hong Yuan Natural Gas Company Limited, Qian County Hong Yuan Natural Gas Company Limited, Baiyin Wantong Gas Limited, Gulang Tianlun Gas Limited, Sichuan Mingsheng Natural Gas Company Limited, Sichuan Jintang County Tian Lun Gas Company Limited, Mizhi Changxing Natural Gas Limited, Wubu Changxing Natural Gas Limited and Zizhou County Shunxiang Natural Gas Company Limited as they were approved to entitle to the CIT Preferential Policies for the Development of the Western Regions and the CIT rate of 2020 is 15% (2019: 15%).

The amount of income tax expense charged to profit or loss represents:

| | Year ended 31 December | |
|-------------------------------------|-------------------------------|----------------|
| | 2020 | 2019 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Current tax on profits for the year | 334,815 | 252,363 |
| Deferred income tax | 19,887 | 61,552 |
| | 354,702 | 313,915 |

9. EARNINGS PER SHARE

(a) Basic

Basic earnings per share (“EPS”) is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

| | Year ended 31 December | |
|---|------------------------|----------------|
| | 2020 | 2019 |
| Profit attributable to owners of the Company (RMB'000) | <u>1,043,512</u> | <u>789,179</u> |
| Weighted average number of shares in issue (thousands) | <u>1,001,292</u> | <u>990,849</u> |
| Basic earnings per share (RMB per share) | <u>1.04</u> | <u>0.80</u> |

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options. For the share options, the number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the year) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share.

| | Year ended 31 December | |
|--|------------------------|----------------|
| | 2020 | 2019 |
| Profit attributable to owners of the Company (RMB'000) | <u>1,043,512</u> | <u>789,179</u> |
| Weighted average number of shares in issue (thousands) | <u>1,001,292</u> | <u>990,849</u> |
| Adjustments for: — Share options (thousands) | <u>586</u> | <u>4,235</u> |
| Weighted average number of ordinary shares for diluted earnings per share (thousands) | <u>1,001,878</u> | <u>995,084</u> |
| Diluted earnings per share (RMB per share) | <u>1.04</u> | <u>0.79</u> |

10. TRADE AND OTHER RECEIVABLES

| | As at 31 December | |
|---|-------------------------|-------------------------|
| | 2020 | 2019 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Trade receivables — gross (a) | 287,522 | 303,546 |
| Less: provision for impairment | (20,432) | (14,391) |
| Notes receivable | 5,918 | 3,043 |
| Prepayments | 633,819 | 597,417 |
| Receivables due from related parties (a) | 332,024 | 501,875 |
| Other receivables | 144,558 | 169,206 |
| Less: provision for impairment | (299) | (290) |
| Value-added-tax to be offset and prepaid income tax | 37,160 | 37,366 |
| | <u>1,420,270</u> | <u>1,597,772</u> |
| Less: long-term prepayments | <u>(27,174)</u> | <u>(49,648)</u> |
| Current portion | <u><u>1,393,096</u></u> | <u><u>1,548,124</u></u> |

- (a) The credit period generally granted to customers in relation to sales of pipelined gases is up to two months. As for the customers in relation to engineering construction service, the Group generally requests advance payments, and in circumstances of credit sales, management closely monitors the credit quality of the customers, and credit period was granted case by case with maximum of two years. The following is an ageing analysis of trade receivables and receivables due from related parties in trade nature amounting to RMB318,417,000 (2019: RMB488,258,000), presented based on billing date at the end of the reporting period:

| | As at 31 December | |
|--------------------|-------------------|----------------|
| | 2020 | 2019 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Less than 30 days | 518,483 | 659,252 |
| 31 days to 90 days | 18,150 | 22,683 |
| 91 days to 1 year | 14,685 | 47,986 |
| Over 1 year | 16,216 | 32,433 |
| Over 2 years | 38,405 | 29,450 |
| | <u>605,939</u> | <u>791,804</u> |

- (b) The carrying amounts of trade and other receivables approximate their fair values.

10. TRADE AND OTHER RECEIVABLES (Continued)

- (c) The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.
- (d) The carrying amounts of trade and other receivables were denominated in RMB.
- (e) As at 31 December 2020, the trade receivables with carrying value of approximately RMB91,970,000 (2019: RMB23,940,000) were pledged for the Group's borrowings.

11. SHARE CAPITAL AND SHARE PREMIUM

| | Number of shares (thousands) | Ordinary shares RMB'000 | Share premium RMB'000 | Total RMB'000 |
|---|------------------------------------|-------------------------------|-----------------------------|------------------|
| Issued and fully paid: | | | | |
| At 1 January 2019 | <u>989,615</u> | <u>8,340</u> | <u>1,188,151</u> | <u>1,196,491</u> |
| Dividends relating to 2019 dividend | — | — | (211,838) | (211,838) |
| Issue of shares pursuant to share option scheme | <u>10,000</u> | <u>90</u> | <u>53,053</u> | <u>53,143</u> |
| At 31 December 2019 | <u>999,615</u> | <u>8,430</u> | <u>1,029,366</u> | <u>1,037,796</u> |
| Dividends relating to 2020 dividend (Note 14) | — | — | (235,003) | (235,003) |
| Issue of shares pursuant to share option scheme | <u>4,000</u> | <u>36</u> | <u>23,092</u> | <u>23,128</u> |
| At 31 December 2020 | <u>1,003,615</u> | <u>8,466</u> | <u>817,455</u> | <u>825,921</u> |

The total authorised number of ordinary shares is 2,000,000,000 shares (2019: 2,000,000,000 shares) with a par value of HKD0.01 per share (2019: HKD0.01 per share).

12. RESERVES

| | Capital reserves <i>RMB '000</i> | Statutory reserves <i>RMB '000</i> | Financial assets at fair value through other comprehensive income <i>RMB '000</i> | Total <i>RMB '000</i> |
|--|--|--|--|--------------------------|
| At 1 January 2019 | (90,806) | 345,255 | 27,483 | 281,932 |
| Revaluation-gross | — | — | 931 | 931 |
| Revaluation-tax | — | — | (233) | (233) |
| Waives liabilities from non-controlling interests | 12,260 | — | — | 12,260 |
| Appropriation (i) | — | 162,166 | — | 162,166 |
| Employee share option scheme: | | | | |
| — Value of employee services | 6,303 | — | — | 6,303 |
| — Issue of shares pursuant to share option scheme | (8,829) | — | — | (8,829) |
| | <u>(81,072)</u> | <u>507,421</u> | <u>28,181</u> | <u>454,530</u> |
| At 31 December 2019 | (81,072) | 507,421 | 28,181 | 454,530 |
| At 1 January 2020 | (81,072) | 507,421 | 28,181 | 454,530 |
| Revaluation-gross | — | — | (18,246) | (18,246) |
| Revaluation-tax | — | — | 4,562 | 4,562 |
| Appropriation (i) | — | 124,867 | — | 124,867 |
| Acquisition of additional interests of a subsidiary | (5,276) | — | — | (5,276) |
| Employee share option scheme: | | | | |
| — Value of employee services | 950 | — | — | 950 |
| — Issue of shares pursuant to share option scheme | (5,210) | — | — | (5,210) |
| | <u>(90,608)</u> | <u>632,288</u> | <u>14,497</u> | <u>556,177</u> |
| At 31 December 2020 | (90,608) | 632,288 | 14,497 | 556,177 |

12. RESERVES (Continued)

(i) Statutory reserves

In accordance with the relevant laws and regulations in the PRC and Articles of Association of the companies incorporated in the PRC now comprising the Group (the “**PRC Subsidiaries**”), it is required to appropriate 10% of the annual statutory net profits of the PRC Subsidiaries, after offsetting any prior years’ losses as determined under the PRC accounting standards, to the statutory surplus reserves fund before distributing the net profit. When the balance of the statutory surplus reserves fund reaches 50% of the registered capital of the PRC Subsidiaries, any further appropriation is at the discretion of shareholders.

The statutory surplus reserves fund can be used to offset prior years’ losses, if any, and may be converted into share capital by issuing new shares to shareholders in proportion to their existing shareholding, provided that the remaining balance of the statutory surplus reserves fund after such issue is not less than 25% of registered capital.

For the year ended 31 December 2020, approximately RMB124,867,000 (2019: RMB162,166,000) were appropriated to the statutory surplus reserves funds from net profits of certain PRC subsidiaries.

13. TRADE AND OTHER PAYABLES

| | As at 31 December | |
|---|------------------------|------------------------|
| | 2020 <i>RMB’000</i> | 2019 <i>RMB’000</i> |
| Trade payables (<i>a and b</i>) | 823,855 | 320,601 |
| Notes payables | 44,400 | 423,800 |
| Amounts due to related parties (<i>a</i>) | 12,654 | 29,182 |
| Accrued payroll and welfare | 2,135 | 3,661 |
| Interest payables | 11,850 | 15,009 |
| Other taxes payables | 225,886 | 93,821 |
| Contingent consideration payables | 111,708 | 138,128 |
| Other payables (<i>a</i>) | 131,079 | 177,922 |
| | <hr/> | <hr/> |
| | 1,363,567 | 1,202,124 |
| | <hr/> <hr/> | <hr/> <hr/> |

13. TRADE AND OTHER PAYABLES (Continued)

- (a) As at 31 December 2020 and 31 December 2019, all such trade payables and other payables of the Group were non-interest bearing and their fair values approximated to their carrying amounts due to their short maturities.
- (b) At 31 December 2020 and 31 December 2019, the ageing analysis of the trade payables, based on billing date was as follows:

| | As at 31 December | |
|--------------------|-------------------|----------------|
| | 2020 | 2019 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Less than 30 days | 686,121 | 189,361 |
| 31 days to 90 days | 51,692 | 46,415 |
| 91 days to 1 year | 42,988 | 45,596 |
| 1 year to 2 years | 24,655 | 18,062 |
| 2 years to 3 years | 10,854 | 5,483 |
| Over 3 years | 7,545 | 15,684 |
| | <u>823,855</u> | <u>320,601</u> |

- (c) The carrying amount of the Group's trade and other payables were denominated in the following currencies:

| | As at 31 December | |
|-----|-------------------|------------------|
| | 2020 | 2019 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| RMB | 1,354,186 | 1,185,568 |
| USD | 3,790 | 7,482 |
| HKD | 5,591 | 9,074 |
| | <u>1,363,567</u> | <u>1,202,124</u> |

14. DIVIDENDS

The dividend paid in 2020 was RMB235,003,000 (2019: RMB211,838,000).

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|--|-------------------------------|------------------------|
| Final dividend for the year ended 31 December 2019 of RMB12.00 cents per share (2018: RMB10.00 cents per share) paid to ordinary shares | 120,027 | 98,310 |
| Interim dividend for the year ended 31 December 2020 of RMB11.40 cents per share (2019: RMB11.42 cents per share) paid to ordinary shares | 114,976 | 113,528 |
| | 235,003 | 211,838 |

Pursuant to the resolution of the Board of Directors dated 31 March 2021, the directors of the Company proposed to distribute total final dividend of RMB153,589,000 (RMB15.30 cents per share) for the year ended 31 December 2020 (2019: RMB120,027,000, RMB12.00 cents per share), which was not recognised as a liability at year end.

INDUSTRY REVIEW

In 2020, the sudden emergence of COVID-19 pandemic severely impacted the global and China's economies. The Chinese government timely adjusted its response policies and measures according to the pandemic development and assisted various market players in the resumption of work and production. Thus, China's economy has steadily recovered with annual GDP exceeded 100 trillion, representing a year-on-year growth of 2.3%, which made it the only major economy around the world that achieved positive growth during 2020.

From the perspective of natural gas industry, China has continued putting efforts on market-oriented reform in oil and gas sector as well on the construction of a system of production, supply, storage and marketing of natural gas. The government has successively issued a series of major policies on industry regulation, such as "Energy Law of the People's Republic of China (consultation paper) (《關於中華人民共和國能源法(徵求意見稿)》)", "Implementation Opinions on Accelerating the Construction of Natural Gas Reserve Capacity (《關於加快推進天然氣儲備能力建設的實施意見》)", "Guidelines on Energy Work in 2020 (《2020年能源工作指導意見》)", and The White Paper on "Energy in China's New Era (《新時代的中國能源發展》白皮書)", strengthened the laws and regulations on the effective use of resources and energy, deepened the supply-side structural reforms in oil and gas sector, as well as strongly promoted natural gas industry standards and sustainable development. Along with General Secretary Xi Jinping's announcement at the General Assembly of the United Nations regarding China's goal of becoming carbon-neutral, while formulating the "Proposal of the 14th Five-Year Plan for National Economic and Social Development and Visions for the year 2035 (《國民經濟和社會發展第十四個五年規劃和2035年遠景目標的建議》)", the Central Committee of the Communist Party of China clearly addressed the goal of promoting clean energy, low carbon, safe and effective use of energy, the continuous improvement in environmental quality, acceleration of green transformation, and enhancement on comprehensive treatment and joint prevention and control of air pollution, thus fully showed China's direction and determination to promote high-quality economic development and high-level protection on ecological environment.

Looking back at 2020, the overall demand and supply of the domestic natural gas market was ample, the apparent consumption nationwide was 324.0 billion m³, representing a year-on-year growth of 5.6%; the production was 188.8 billion m³, representing a year-on-year growth of 9.8%; and the annual total import volume was 102 million tons, representing a year-on-year increase of 5.3%. With China Oil & Gas Pipeline Network Corporation officially taking over the operations, oil and gas resources can be more effectively deployed nationwide. During the year, the natural gas industry continued to maintain the key tone of "balance of demand and supply", strengthened its capabilities of gas storage, peak-shaving and energy security, better served national strategies, met the needs of people's livelihood and assisted industry development.

BUSINESS REVIEW

For the year ended 31 December 2020, the Group deeply explored the potential value of the existing gas market, selectively acquired high-quality urban gas projects, and created innovative value-added business service model. As a result, the Group maintained the steady growth of its overall performance.

The key results and operating data of the Group for the year ended 31 December 2020 as compared to the corresponding period of the previous year are as follows:

| | For the year ended 31 December | | |
|---|---------------------------------------|-----------|-----------|
| | 2020 | 2019 | Change by |
| Revenue (RMB'000) | 6,439,777 | 6,548,618 | (1.7%) |
| Gross profit (RMB'000) | 1,786,125 | 1,703,892 | 4.8% |
| Core profit for the year* (RMB'000) | 895,213 | 811,376 | 10.3% |
| Profit attributable to owners | | | |
| of the Company (RMB'000) | 1,043,512 | 789,179 | 32.2% |
| Weighted average shares (Unit: '000) | 1,001,292 | 990,849 | 1.1% |
| Earnings per share** — basic (RMB) | 1.04 | 0.80 | 30.0% |
| Total pipeline gas users: | 4,204,256 | 3,247,483 | 29.5% |
| — Residential users (households) | 4,175,949 | 3,224,163 | 29.5% |
| — Industrial and commercial users (users) | 28,307 | 23,320 | 21.4% |
| — Designed daily gas supply capacity to industrial and commercial users (in ten thousand m ³) | 1,011 | 868 | 16.5% |
| Natural gas sales volume (in ten thousand m ³): | 151,461 | 156,640 | (3.3%) |
| Sales volume of retail business of natural gas (in ten thousand m ³) | 121,774 | 112,824 | 7.9% |
| — Natural gas sales volume to residential users (in ten thousand m ³) | 37,524 | 31,258 | 20.0% |
| — Natural gas sales volume to industrial and commercial users (in ten thousand m ³) | 76,429 | 72,831 | 4.9% |
| — Natural gas sales volume to transportation users (in ten thousand m ³) | 7,820 | 8,736 | (10.5%) |
| Sales volume of wholesale business of natural gas (in ten thousand m ³) | 29,686 | 43,816 | (32.2%) |
| Long-haul pipeline gas transmission volume (in ten thousand m ³) | 76,563 | 76,178 | 0.5% |
| Total length of medium and high-pressure pipelines (kilometre) | 7,063 | 5,048 | 39.9% |

* Excluding other gains/(losses) — net.

** In accordance with the requirements of the relevant accounting standards, earning per share of the Group will be subject to the weighted average number of ordinary shares.

Engineering Construction Service

The Group actively developed urban gas residential users and rural gasification business in Henan's operating areas. For the year ended 31 December 2020, the Group connected a total of 832,213 new residential users to gas pipelines, and the total number of residential users to gas pipelines increased to 4,175,949, representing an increase of 29.5% as compared with the corresponding period of last year.

For the year ended 31 December 2020, the Group provided engineering construction service for a total of 3,471 industrial and commercial users to gas pipelines, and the total number of its industrial and commercial users under the projects operated by the Group increased to 28,307, representing an increase of 21.4% as compared with the corresponding period of last year.

Gas Sales Volume

For the year ended 31 December 2020, natural gas sales volume of the Group amounted to 1,515 million m³, representing a decrease of 3.3%, as compared with the corresponding period of last year. Among which, gas sales volume in retail business amounted to 1,218 million m³, representing an increase of 7.9% as compared with corresponding period of last year. Gas volume sold to residential users, industrial and commercial users, transportation gas users and wholesale business accounted for 24.8%, 50.5%, 5.1% and 19.6% of total gas sales volume, respectively.

For the year ended 31 December 2020, pipeline gas transmission volume of the Group was 766 million m³.

Development of New Projects

During the year ended 31 December 2020, the Group completed full takeover of the operation and management and consolidation of financial statements of the project in Shenqiu County, Zhoukou City in Henan Province. At the same time, through acquisitions, the Group newly acquired four urban gas projects in Zizhou County in Yulin City of Shaanxi Province, Jingyuan County in Baiyin City of Gansu Province, Datong County in Xining City and Huzhu County in Haidong City of Qinghai Province respectively. Among which, the urban gas projects in Jingyuan County in Baiyin City of Gansu Province, Datong County in Xining City and Huzhu County in Haidong City of Qinghai Province had not been consolidated into the Group in 2020. At the end of 2020, the Group had a total of 67 urban gas projects in 16 provinces across China.

Completion of the Acquisition of the Urban Gas Project in Shenqiu County, Zhoukou City, Henan Province

For the year ended 31 December 2020, the Group completed full takeover of the operation and management of the target company for the project in Shenqiu County, Zhoukou City in Henan Province, which was newly acquired in December 2019, and began to conduct the consolidation of financial statements since 31 January 2020, contributing to the Group's results.

THE ACQUISITION OF THE URBAN GAS PROJECT IN ZIZHOU COUNTY, YULIN CITY, SHAANXI PROVINCE

On 25 August 2020, Henan Tian Lun Gas Group Limited, an indirect wholly-owned subsidiary of the Company, entered into an agreement with the then shareholders of Zizhou County Shunxiang Natural Gas Company Limited* (子洲縣順祥天然氣有限責任公司) to acquire the entire equity interest in Zizhou County Shunxiang Natural Gas Company Limited at a total consideration of RMB108,000,000.

The project is located at Zizhou County, Yulin City, Shaanxi Province, with abundant natural gas reserves, and has a relatively high gas sales dollar margin. It currently owns the gas sources sold by Shaanxi branch of PetroChina, and such ample gas sources will provide strong support for the Company's future operation. The project's gas market is relatively mature with 50,000 residential users, contributing to an annual gas sales volume of approximately 17.08 million m³ in 2019. According to the urban development plan of Yulin City, the urban population of Zizhou County will reach 90,000 by 2030. As winter in Zizhou County is severely cold and there are no heating company in that region, residents generally install wallhanging gas heaters or boilers for heating, and hence forming strong support for the future increase of residential-use gas and in-depth development of value-added services. At the same time, the Zizhou County project developed nearly 1,000 industrial and commercial users, and its user penetration rate was relatively high, with a potential to continue expanding its user scale. In addition, the project has a CNG gas filling station with long-term stable operation, and it has built a 56-kilometer long high- and medium-pressure pipeline which basically covers the major operating regions in the urban area, and as investment for follow-up works is small, such can quickly implement the large-scale connection and installation works. Through the acquisition of the project, it will create strategic synergy with the Group's Mizhi County and Wubu County projects operating in Shaanxi Province, and will lay a solid foundation for the Company's further expansion of its gas business coverage in Shaanxi Province.

THE ACQUISITION OF THE URBAN GAS PROJECT IN JINGYUAN COUNTY, BAIYIN CITY, GANSU PROVINCE

On 22 October 2020, Henan Tian Lun Gas Group Limited, an indirect wholly-owned subsidiary of the Company, entered into an agreement with the then shareholders of Jingyuan County Jindi Gas Co., Ltd.* (靖遠縣金地燃氣有限公司) (“**Jingyuan Jindi**”) to acquire the entire equity interest in Jingyuan County Jindi Gas Co., Ltd. at a total consideration of RMB233,300,000.

In 2019, the total population of the counties where Jingyuan Jindi operated was over 500,000, among them 130,000 were urban population. As per the Jingyuan County Urban-rural Master Plan, the urban population of Jingyuan County is expected to reach 190,000 in 2030. In the meantime, the gasification rate of residents is relatively low, and therefore creates a relatively strong market potential for the domestic gas sales business and value-added business in the future. In the industrial sector, the operating area of Jingyuan Jindi covers Liuchuan Industrial Concentration Zone, Jingyuan County Dongwan Agricultural High-Tech Park and Jingyuan County Silver Triangle Concentration Zone with maturing industrial development. In 2019, approximately 24.5 million m³ of gas sales volume was achieved. Among them, Silver Triangle Industrial Concentration Zone has an asphalt mixing plant. Liuchuan Industrial Concentration Zone focuses on the development of manufacturing of fluorochemical products and the processing and manufacturing of rare earth, metal materials, fine chemical products and chemical products. In the future, the further development of emerging industries such as the manufacturing of new materials, fine chemicals, mineral products and special equipment shall provide strong support for future industrial gas consumption.

Besides, Jingyuan Jindi already deployed pipelines that cover the towns of Liuchuan, Dongwan, Wulan (the key urban District) and Yutan, with an overall length of 126 km of high and medium pressure pipelines deploying over the main urban operating areas, and with less investment required in subsequent projects. They are set to quickly achieve a good scale of connection and installation work. Currently, Jingyuan Jindi has laid 96 km of high-pressure and secondary high-pressure pipelines, which can meet the gas demand of the Group’s project in Baiyin City and provide gas supply services to many other projects in neighbouring areas. At the same time, Jingyuan Jindi has entered into a long-term gas supply cooperation initiative with the natural gas sales Gansu branch of CNPC, henceforth supplying an abundant amount of gas source which provides strong assurance for the future operation of the company. The project can achieve cross-region synergies with the existing matured projects in Gansu Province. All together they will provide high-quality gas supply service to more residents and enterprises.

THE ACQUISITION OF THE URBAN GAS PROJECTS IN DATONG COUNTY OF XINING CITY AND HUZHU COUNTY OF HAIDONG CITY IN QINGHAI PROVINCE

On 25 December 2020, Henan Tian Lun Gas Group Limited, an indirect wholly-owned subsidiary of the Company, entered into an agreement with the then shareholders of Gansu Jindi New Energy Co., Ltd.* (甘肅金地新能源有限公司) (“**Jindi New Energy**”), Datong County Jindi Gas Co., Ltd.* (大通縣金地燃氣有限公司) (“**Datong Jindi**”), Datong County Jindi Compressed Natural Gas Co., Ltd.* (大通縣金地壓縮天然氣有限公司) (“**Datong Compressed**”), Huzhu County Jindi Gas Co., Ltd.* (互助縣金地燃氣有限公司) (“**Huzhu Jindi**”) and Huzhu County Limin Compressed Natural Gas Co., Ltd.* (互助縣利民壓縮天然氣有限公司) (“**Huzhu Compressed**”) to acquire the entire equity interest of Datong Jindi, Datong Compressed, Huzhu Jindi and Huzhu Compressed at a total consideration of RMB832,760,000.

Datong Jindi and Datong Compressed, Huzhu Jindi and Huzhu Compressed are situated in Datong County in Xining City (the provincial capital) and Huzhu County in Haidong City, Qinghai province, respectively. These locations comprise a large residential population, while the combined population of these two counties accounts for 14% of the total population of Qinghai Province. Furthermore, both counties also have distinct advantages, as they are positioned within the developmental grid of the Lanzhou-Xining city cluster. Both counties are adjacent to and near urban areas of Xining City, of which Datong County is situated within a 35 km distance from Xining City, while Huzhu County is situated within a 40 km distance from Xining City. With convenient traffic links and excellent positioning, more long-term residents and business enterprises are expected to be brought to the counties where the said four target companies locate in the future.

The said four companies are now in a stable and matured state. In 2019, the net profit amounted to approximately RMB47.74 million. Their combined gas sales volume reached 153 million m³, and revenue from gas sales accounted for 88.90% of the operating income of the year. Also, due to the impact of natural environment, the counties have a six-month-long annual local heat supply season, thus the said four companies could be assured of sufficient overall business growth, with steadily hiking gas sales volume and well-tuned gas consumption patterns of the population. On the industrial side, within the operating area of Datong Jindi there includes the relatively developed Beichuan Industrial Park, a provincial-level industrial park which brought in a total of 270 enterprises, among which 37 are above-the-scale industrial enterprises. On the other hand, within the operating area of Huzhu Jindi there includes the Tangchuan Industrial Park, the Green Industrial Park (a provincial-level industrial park under construction) and the Pingbei Industrial Park. On the business side, both Datong County and Huzhu County boast excellent ecological environments with abundant tourism resources. Datong County features several tourist destinations such as the Laoyeshan National 4A-level Scenic Area and the National Forest

Park Yaozigou Scenic Area. Huzhu County also features a national 5A-level tourist attraction — the Tujia Homeland. The abundance in cultural and ecological landscapes are expected to draw sufficient visitor traffic to both counties which set to promote commercial gathering and development. Meanwhile, Datong Jindi and Huzhu Jindi focus on the replacement of commercial use coal-fired boilers and the promotion of commercial gas-fired boilers, of which Datong Jindi has completed the conversion plan.

In terms of residential connection, there exhibits a strong space for growth of connection businesses, as the latest overall urban development plans of the local governments demonstrate that, as of 2030, the total population of Datong County is expected to reach 690,000 (with a current population of 468,300), while the total population of Huzhu County will reach 450,000 (with a current population of 401,600). The operating areas of Datong Jindi and Huzhu Jindi are situated in comparatively flat terrains with relatively concentrated population and with only moderate difficulty in installation and connection. Moreover, the urban and rural population in the two counties tend to be more accommodative of natural gas in general with good gas consumption patterns but low in connection ratio. Therefore, the local overall gasification rate is expected to see growth in the long run. Steadily growing gas user population will also foster the launch of value-added businesses. Currently, Datong Jindi and Huzhu Jindi have created more developed value-added business segments that include businesses in conversion, sales of wall-hanging gas heaters and insurance, etc. Looking ahead, the said two companies will continue to further cultivate the development potential of value-added businesses.

In terms of gas sources, an A-grade open gas source is presented along the Seninglan trunk line on the national pipelines network, while the companies have established long-term and stable gas source procurement cooperation. At the same time, the gas infrastructures of projects in Datong County and Huzhu County are relatively well equipped. Datong Compressed and Huzhu Compressed operate one gas refuelling station each, alongside the installation of a 96-kilometre high-pressure pipeline in Datong County and a 157-km high-pressure pipeline in Huzhu County. It is expected that the gas transmission capacity of pipeline networks and the stations are sufficient for the future, without further necessity in large-scale investment and construction.

The natural gas projects of Datong Jindi and Datong Compressed, Huzhu Jindi and Huzhu Compressed were all situated within the economic zone of the Lanzhou-Xining city cluster, which is a key cross-provincial city cluster in western China. New urbanization construction is looking to advance in the area under governmental guidance, which shall push forward coordinated regional development. The Company has expanded its gas business coverage for the first time into two high-quality counties in Qinghai province. These initiatives will contribute a solid foundation for the continued expansion of gas supply and services in the region, and by leveraging on the policy advantages of the development in Lanzhou-Xining city cluster, they will also achieve cross-region synergies between the existing matured projects in Gansu Province, and further accelerate the rapid business growth in the region.

Long-haul Pipelines

The Group has a total of six long-haul pipelines, four of which have been put into operation and are located in Da'an City, Jilin Province, Wujiang City, Jiangsu Province and Pingdingshan City, Henan Province, respectively, which have played an important role in securing the Group's gas source supply. Among which, Lushan-Ruzhou Pipeline Branch of the West-East Pipeline II was put into operation and commenced gas supply in September 2020, which provided gas sources support for the Group's rural gasification projects within Henan Province. As at 31 December 2020, the Group's two long-haul pipelines under construction and planning are Yuzhou-Changge project and Puyang-Hebi pipeline. Among which, Yuzhou-Changge project is expected to put into operation and supply gas in the second quarter of 2021.

Value-added business

Leveraged on the advantage of existing urban gas business customer scale and oriented by customer needs, the Group further enriched the coverage of value-added business to enhance overall marketing level, construct a sound ecological service system, which would in turn further enhance the profitability and competitiveness of value-added business. In 2020, the Group's value-added business coverage includes gas appliances, insurance, alarm pipes, heating services, Internet of Things, automatic shut-off valves and corrugated pipes, etc., striving to provide customers with one-stop convenient services.

In response to the abrupt outbreak of the pandemic in 2020, the Group has launched an online shopping mall and activated a new "online+ offline" customer service model in a timely manner. The construction of value-added business system was promoted by organizing online live stream for holiday promotions, improving efficiency and scale of customer services effectively and integrating the six elements of products, services, member companies, users, CVM systems and V+ systems effectively. As at 31 December 2020, revenue from value-added business achieved RMB138 million, representing a significant increase of 30.2%, as compared with RMB106 million for the corresponding period of last year. The penetration rate of the Group's value-added business is relatively low currently. It is believed that with the rapid growth of the Group's gas business and the deepening of the value-added business, the value-added business will bring new revenue growth points to the Group.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2020, the Group's revenue amounted to RMB6,440 million (among which, revenue from engineering construction services amounted to RMB2,550 million which represented an increase of 8.3% as compared with the corresponding period of last year; revenue from gas retail business amounted to RMB3,061 million which represented an increase of 2.7% as compared with the corresponding period of last year; revenue from gas wholesale business amounted to RMB674 million which represented a decrease of 37.7% as compared with the corresponding period of last year), representing a slight year-on-year decrease of RMB109 million or 1.7%. The Group's revenue was primarily derived from sales of natural gas in cylinders and in bulk business, engineering construction service business, accounting for 47.5%, 10.5% and 39.6% (the corresponding period of last year: 45.5%, 16.5% and 36.0%), respectively, of the total revenue for the year ended 31 December 2020.

Revenue from engineering construction services

As of the year ended 31 December 2020, revenue generated from engineering construction services amounted to RMB2,550 million representing a year-on-year increase of 8.3% as compared with RMB2,355 million for the corresponding period of last year. In term of engineering construction services proceeds, for the year ended 31 December 2020, cash proceeds from engineering construction services amounted to RMB2,418 million, representing an increase of 0.7%, from RMB2,402 million for the corresponding period of last year.

Revenue from Gas Retail Business

For the year ended 31 December 2020, revenue from gas retail business of the Group amounted to RMB3,061 million, representing a year-on year increase of 2.7% as compared with RMB2,980 million for the corresponding period of last year.

Revenue from Gas Wholesale Business

For the year ended 31 December 2020, revenue from wholesale business of the Group amounted to RMB674 million, representing a year-on-year decrease of 37.7% as compared with RMB1,081 million for the corresponding period of last year.

Revenue from Other Businesses

Most of the revenue from other businesses comes from value-added services. During the Reporting Period, the Group has launched an online shopping mall and activated a new “online + offline” customer service model in a timely manner, in response to the development of pandemic, bringing in revenue from other business of RMB155 million, representing an increase of 17.9% as compared with RMB132 million for the corresponding period of last year.

Gross Profit and Gross Profit Margin

For the year ended 31 December 2020, the Group realized gross profit of RMB1,786 million, representing an increase of RMB82 million or 4.8% from the corresponding period of last year. Overall gross profit margin of the Group was 27.7%, representing an increase of 1.7 percentage points as compared with the corresponding period of last year.

Other gains/(losses) — Net

For the year ended 31 December 2020, other gains/(losses) — net of the Group amounted to RMB160 million, representing an increase of RMB180 million as compared with the corresponding period of last year, mainly due to the exchange gains increased RMB189 million.

Finance Expenses — Net

For the year ended 31 December 2020, finance expenses — net of the Group amounted to RMB239 million, representing an decrease of RMB26 million as compared with the corresponding period of last year.

Net Profit and Core Profit

For the year ended 31 December 2020, net profit of the Group amounted to RMB1,064 million, representing an increase of RMB250 million or 30.8%, as compared with the corresponding period of last year. For the year ended 31 December 2020, core profit of the Group amounted to RMB895 million, representing an increase of 10.3% as compared with RMB811 million for the corresponding period of last year.

Net Profit Attributable to Owners of the Company

For the year ended 31 December 2020, net profit attributable to owners of the Company was RMB1,044 million, representing an increase of RMB254 million or 32.2% as compared with the corresponding period of last year.

FINANCIAL POSITION

The Group has been adopting prudent policies in respect of financial resources management, including maintaining an appropriate level of cash and cash equivalents as well as sufficient credit limits, in order to cope with the needs of daily operation and business development and control the borrowing at a healthy level.

For the year ended 31 December 2020, the Group incurred capital expenditure of RMB868 million, of which RMB568 million was used in project acquisitions and RMB300 million in continuously improving urban gas business. The above capital expenditure was financed by the Group's operating cash flows and bank borrowings.

As at 31 December 2020, the Group held cash and cash equivalents to RMB1,640 million in total, of which 98.2% was denominated in RMB, 1.6% was denominated in HK dollars and 0.2% was denominated in US dollars, safeguarding the needs of project expansion and acquisition of businesses of the Group.

As at 31 December 2020, the Group's total borrowings were RMB5,065 million (among which loans denominated in RMB were RMB2,040 million, loans denominated in US dollars were RMB592 million and loans denominated in HK dollars were RMB2,433 million). Among those borrowings, 54.7% of which were classified as non-current liabilities, and 45.3% of which were classified as current liabilities. As at 31 December 2020, the gearing ratio, calculated based on the percentage of total liabilities over total assets, was 61.4%, representing a year-on-year decrease of 3.5 percentage points.

FINANCE COST AND EXCHANGE RISK MANAGEMENT

For the year ended 31 December 2020, the Group's finance cost was RMB261 million, representing an decrease of 17.6% as compared with the corresponding period of last year.

For the year ended 31 December 2020, the Group's overseas borrowings denominated in foreign currencies accounted for 59.7% of its total borrowings. The Group will continue to closely monitor the changes in exchange rates and strive to lower its finance costs through diversified arrangements, and will adopt necessary measures to lower its exchange risk as and when necessary.

Information Management

An effective science-based information management is an effective way to maintain the vitality of an enterprise and improve its market competitiveness. It can integrate the existing resources of the enterprise maximumly and help to achieve better benefits. Therefore, the Group continuously optimize its information management to provide strong support for the development of the enterprise.

During the year, the Group promoted the gas financial system, capital management and control system and supply chain management system among its newly acquired member companies. Through the financial system, a unified accounting system was set up among the newly acquired member companies and the entire group, which is beneficial to the Group's financial data analysis and facilitates the vertical management and internal supervision of the Group's headquarter. The capital management and control system takes the capital budget as the core and accounts management as the basis to standardize the settlement process of member companies, and conduct unified management of credit and financing operations. Supply chain management system enables the headquarter of the Group to realize a whole process management of member companies from purchasing and entering warehouse to warehouse management, material application and stock-out accounting, and to establish an all-inclusive and standardised workflow procedures. The system can effectively monitor the dynamic capital funding shared by the inventory and help the Group achieve a business model that can generate dynamic and automatic calculation on financial budget, financial control and financial analysis. The Group promotes the human resources system in its township gasification business. Based on the integration of the existing human resource system, it built a human resources management platform with unified standards and information sharing, and improved the personnel information database for projects to enhance the completeness and accuracy of the statistical analysis of human resources information.

In addition, the Group has developed an online training system for all employees, through which they can use functions such as live stream, video learning, online examinations, learning maps, and learning files. For the gas stations of certain member companies, the Group has built a station control system and a cylinder traceability system. The station control system can display in real time entry and exit pressure of the stations, temperature, and instantaneous flow and cumulative flow under standard conditions through software, while the data will be uploaded to the general control platform of the Group at the same time for remote monitoring. Setting up a traceability system for the cylinder information of gas filling vehicles guarantees the qualified annual inspection status of the cylinders and improves the safety of use.

SUSTAINABLE DEVELOPMENT

Continuous Improvement in ESG Governance

The Company has established its business philosophy with sustainable development as its core goal. The Company has also set up an effective sustainable development governance mechanism and management system, promoted the Company to practically integrate sustainable development requirements into the Company's operations and management, thus created long-term stable environmental, social and corporate values.

In order to promote the integration of ESG into corporate governance, the Company has built a four-level ESG governance structure that comprises the Board of Directors, management, responsible department and ESG working group, thus, on a system level, ensuring the implementation of ESG-related ideas within its operation and management. Also, to ensure the execution of ESG daily management work, the Company has delegated the Investor Relations Department to be responsible for coordinating ESG working group to carry out management and practice on relevant sustainable development issues, as well as reporting to the management on ESG work progress on a regular basis. ESG working group has been set up by various functional departments and member companies to handle sustainable development issues and to be responsible for the management and practice of ESG issues. The ESG working group has specialized personnel responsible for practicing ESG and relevant statistics and information collection work. In order to strengthen the ESG concepts among employee and to promote more effectively the ESG-related work, the Group conducted relevant trainings on ESG concepts in January 2020.

ESG Risk Assessment

In 2020, the Company continued to standardize the ESG governance and management workflows, attached great importance to the determination of ESG material risks, optimized the communication methods among all stakeholders, as well as identified, evaluated and managed the important ESG issues. In 2020, based on the sustainable development goals of the United Nations, the "ESG Reporting Guide" of Hong Kong Stock Exchange, and company requirements of mainstream ESG ratings, the Group combined the best practices from peers and conducted reviews and analysis on ESG risks and substantive issues previously assessed. Taking report preparation as an opportunity, the Group distributed questionnaires to stakeholders including regulators, shareholders, investors, suppliers/contractors, customers, partners, media, communities, non-governmental organizations, the management and employees, and collected a total of over 1,200 valid responses. The Group subsequently analyzed, sorted and verified the scoring

results of those questionnaires, and then adjusted to form final substantive issues. Through such evaluation and analysis of the substantive issues, the Group identified and added several issues relating to sustainable development, such as customer privacy protection, supplier management, and biodiversity protection. In response to this, the Group commenced relevant management promotion work and practically ensured that the requirements and expectations of all stakeholders of the Company have been met.

Environmental Responsibility

In the context of China's proposal of achieving carbon neutrality in 2060, the Company actively responded to national energy development strategies, by relying on its rich experience in gas professional construction and operation and its strong gas source guarantee capabilities, it continued to provide clean energy optimization and replacement solutions for high-energy consumption and high-pollution enterprises. In addition, the "14th Five-Year Plan for National Economic and Social Development and the Outline of Long-term Objectives for Year 2035 (Draft) (《國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要(草案)》)" announced in the Two Sessions convened in March 2021 has put rural construction in an important position, and clearly states that agricultural and rural modernization and the improvement in life quality of farmers must make evident progress during the "14th Five-Year Plan" period. The Group continued to achieve natural gas access in rural areas by exempting gas connection fees, supported rural residents to replace coal with clean energy, assisted gas construction in villages, effectively promoted the formation of rural green development and lifestyle, thus facilitating the transformation of regional clean energy structure. In 2020, the Group operated 67 urban gas projects in 16 provinces, with its natural gas sales volume reached 1.515 billion m³.

Production Safety

The Company persisted in promoting its safety management system with risk control as the core. Internally, the Company signed the "Annual Safety Production Target Responsibility Letter (《年度安全生產目標責任書》)" with respective member companies, focused on the "General Manager Monthly Safety Checklist (《月度總經理安全檢查表》)", set objectives, conducted evaluations, clearly set up awards and punishments, as well as strengthened the implementation of safety management and supervision responsibility of "top leaders" of subsidiaries. In 2020, the Company achieved the management goals of safety production with zero accidents and zero incidents of occupational disease. Externally, the Company was committed to promoting community safety, and through various ways such as distributing leaflets, placing large-sized billboards, door-to-door promotion, and sending messages to WeChat public accounts, the Company has kept in mind the promotion of safe use of gas and put it into practice.

Quality Services

The Company has always been adhering to the customer service concept of customer-centric and service-oriented, to achieve a win-win situation where brand reputation is enhanced and customer recognition is obtained by increasing customer stickiness with high-quality customer service experience. The Group continued to carry out grid operations in pilot areas and professional skills of frontline personnel were further improved through a series of evaluation, training and inspection. The grid management promotion plan has been completed in 2020, which will further realize the precise requirements of customer service. The Group further deepened the delicacy management of customers, established a customer tracking mechanism for key users, completed customer files and focused on resource integration striving to optimize the customer service system and improve overall efficiency and service quality.

Compliance and Win-Win

The Company has always been operating with high standards of business ethics. In 2020, the Company promoted the anti-corruption awareness of employees by launching integrity talks and signed integrity commitments and integrity agreements with employees and with suppliers, respectively to promote the integrity of the upstream and downstream industries. In 2020, the Company joined the corporate anti-fraud alliance to establish a clean corporate image in the industry. Regarding the access of suppliers, the Company requires suppliers to be ISO90001 certified and considers ISO180001 and ISO140001 as additional advantages for supplier access to further standardize and improve the performance of suppliers in terms of environment, safety and quality.

People-oriented

Based on the “people-oriented” management philosophy, the Company innovated the incentive mechanism. Through the formulation of incentive plans on gas penetration in rural areas and value-added business, as well as the establishment of project contracting mechanism for internal partners in member companies and mid- to long-term business partnership system, the employees’ sense of participation and belonging are comprehensively heightened and their enthusiasm is summoned up. At the same time, the Company continues to improve the talent training system which provides targeted and diversified online and offline training programs for talents in different positions, ranks and development stages. Management training for college students and reserve cadres was actively carried out to achieve the common growth of employees and the Company.

OUTLOOK

In 2020, the COVID-19 pandemic undoubtedly caused a huge impact on China's economic and social activities. However, the economy has recovered significantly with the effective implementation of prevention and control measures and the joint efforts of all sectors of society and China was the only major economy in the world that realised positive growth. The gas industry in China also demonstrated strong resilience with annual apparent consumption of natural gas reaching 324.0 billion m³ which represented a year-on-year growth of 5.6%. All employees of the Group worked together to meet the challenges, ensured fulfilment of normal gas demand from all kinds of customers during the pandemic, constantly explored new business models, and completed a smooth transition in this extraordinary year.

During the "14th Five-Year Plan", the growth of natural gas will continue, which is highly compatible with the new urbanization and rural construction proposed by the national government. In the long run, as one of low-carbon energy, natural gas would embrace sustainable development opportunities in the context of the "double-carbon" target (peak emissions before 2030 and carbon neutrality before 2060) proposed by China. According to the forecast of the Annual Development Report on World Energy (2020), the compound growth rate of natural gas consumption from 2020 to 2025 will be 8.4%. Meanwhile, with the deepening of domestic natural gas reform and the official operation of PipeChina, urban gas will embrace major opportunities for diversified gas source supply and marketization of gas purchases.

The Company will seize important development opportunities and adhere to the strategy of "selective mergers and acquisitions" and "gas penetration in urban and rural areas" to rapidly expand its business scale. By adhering to "regional synergy" priority development strategy, the Company aimed to become regional industry leader in certain provinces and cities. Self-supplying capacity and profitability of gas sales would be enhanced through strengthening cooperation and optimizing gas sources. Being customer-centric and service-oriented, the Company would develop value-added business and improve asset efficiency. Cost reduction and efficiency enhancement can be achieved while maintaining profitability with improved safety operation standards and ESG standards. The management standard system will be strengthened and digital platform management will be promoted to boost sustainable development capabilities. To maintain healthy and rapid development, the Company will strengthen free cash flow management and reduce level of interest-bearing liabilities. Win-win cooperation could be achieved with further construction of joint venture cooperation platforms and improvement of dividends payment.

Repurchase, Sell or Redeem any Shares of the Company

During the year ended 31 December 2020, none of the Company or any of its subsidiaries had repurchased, sold or redeemed any shares of the Company.

Contingent Liabilities

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

Dividend

Pursuant to the resolutions of the Board on 31 March 2021, the Board recommended the payment of a final dividend (the “**Final Dividend**”) for the year ended 31 December 2020 of RMB15.30 cents per share (2019: RMB12.00 cents per share). Together with an interim dividend of RMB11.40 cents per share which had been paid, total dividend paid for the year ended 31 December 2020 was RMB26.70 cents per share.

The Final Dividend will be paid in Hong Kong dollars on or about 21 June 2021 (Monday) to the Shareholders whose name appear on the register of members of the Company on 4 June 2021 (Friday), subject to the Shareholders’ approval at the forthcoming annual general meeting. Further announcement will be made by the Company in relation to the exact amount of the Final Dividend in Hong Kong dollars when the conversion rate for Renminbi to Hong Kong dollars to be adopted has been determined by the Board.

Closure of Register of Members

In order to determine the Shareholders’ entitlement to the proposed Final Dividend, the register of members of the Company will be closed from 28 May 2021 (Friday) to 4 June 2021 (Friday) (both days inclusive), during which no transfer of shares of the Company will be registered. In order to be eligible to receive the proposed Final Dividend, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Group’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712- 1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 27 May 2021 (Thursday).

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) as the code of conduct regarding securities transactions by the Directors. Upon specific enquiries made to all the Directors, each of them confirmed that they strictly complied with the required standards set out in the Model Code for the year ended 31 December 2020.

Corporate Governance Code

The Company has adopted and has complied with all code provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules for the period from 1 January 2020 to 31 December 2020.

Audit Committee

The audit committee (the “**Audit Committee**”) of the Company consists of three independent non-executive Directors, namely, Mr. Li Liuqing (chairman of the Audit Committee), Mr. Yeung Yui Yuen Michael and Ms. Zhao Jun. The Audit Committee had held meetings with the management to review accounting principles and practices adopted by the Group and discussed the audit, internal control and financial reporting issues. The Audit Committee had reviewed and discussed the annual consolidated results and consolidated financial statements of the Group for the year ended 31 December 2020.

Audit of Financial Statements

PricewaterhouseCoopers, the external auditor of the Group, had audited the consolidated financial statements of the Group and issued unqualified opinion. The figures in respect of the preliminary announcement of the Group’s results for the year ended 31 December 2020 have been compared and agreed by the Group’s auditor, PricewaterhouseCoopers, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary results announcement.

Annual Report

The Company's annual report for the year ended 31 December 2020 will be published on the website of Hong Kong Exchange and Clearing Limited (www.hkexnews.hk) and the Company's website (www.tianlungas.com), and copies of the annual report will be despatched to the shareholders of the Company in due course.

By order of the Board
China Tian Lun Gas Holdings Limited
Zhang Yingcen
Chairman

Zhengzhou, the PRC, 31 March 2021

As at the date of this announcement, the executive Directors are Mr. Zhang Yingcen (Chairman), Mr. Xian Zhenyuan (Chief Executive), Mr. Liu Min and Ms. Li Tao; and the independent non-executive Directors are Mr. Liu Jin, Mr. Li Liuqing, Mr. Yeung Yui Yuen Michael and Ms. Zhao Jun.