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天伦燃气
TIANLUN GAS

Tian Lun Gas Holdings Limited

天倫燃氣控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1600)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

Highlights of results for the year ended 31 December 2021:

- Revenue was RMB7,650 million, representing an increase of 18.8% as compared with RMB6,440 million for the corresponding period of last year.
- Profit attributable to owners of the Company was RMB1,001 million, representing a decrease of 4.1% as compared with RMB1,044 million for the corresponding period of last year.
- Core profit for the year, net of one-off factors, amounted to RMB915 million, representing an increase of 2.2% as compared with RMB895 million for the corresponding period of last year.
- Basic earnings per share were RMB1.00, representing a decrease of 3.8% as compared with RMB1.04 for the corresponding period of last year.
- It is recommended to pay final dividends per share of RMB14.57 cents for the year of 2021. In 2021, a cumulative dividend of RMB28.00 cents per share was paid, of which dividend payment ratio reached 30.8% of the core profit, representing an increase of 4.9% as compared with RMB26.70 cents per share for the corresponding period of last year.

The board (the “**Board**”) of directors (the “**Directors**”) of 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 2021 together with the audited comparative figures for the corresponding period of last year as follows.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2021	2020
		RMB'000	RMB'000
	<i>Notes</i>		
Revenue	3	7,650,345	6,439,777
Cost of sales	4	<u>(5,871,226)</u>	<u>(4,653,652)</u>
Gross profit		<u>1,779,119</u>	<u>1,786,125</u>
Distribution expenses	4	(75,304)	(59,483)
Administrative expenses	4	(217,599)	(193,281)
Other income	5	15,485	9,828
Other gains — net	6	<u>99,409</u>	<u>160,189</u>
Operating profit		1,601,110	1,703,378
Finance income		7,729	11,228
Finance expenses		<u>(235,782)</u>	<u>(250,351)</u>
Finance expenses — net	7	<u>(228,053)</u>	<u>(239,123)</u>
Share of results of associates and a joint venture		<u>(10,253)</u>	<u>(45,880)</u>
Profit before income tax		1,362,804	1,418,375
Income tax expense	8	<u>(334,690)</u>	<u>(354,702)</u>
Profit for the year		<u>1,028,114</u>	<u>1,063,673</u>
Profit attributable to:			
— Owners of the Company		1,000,672	1,043,512
— Non-controlling interests		<u>27,442</u>	<u>20,161</u>
		<u>1,028,114</u>	<u>1,063,673</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	1.00	1.04
— Diluted earnings per share	9	<u>1.00</u>	<u>1.04</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Profit for the year	1,028,114	1,063,673
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	8,325	(13,684)
Other comprehensive income for the year, net of tax	8,325	(13,684)
Total comprehensive income for the year	1,036,439	1,049,989
Attributable to:		
— Owners of the Company	1,008,997	1,029,828
— Non-controlling interests	27,442	20,161
	1,036,439	1,049,989

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2021	2020
	Notes	RMB'000	RMB'000
ASSETS			
Non-current assets			
Right-of-use assets		272,206	267,789
Property, plant and equipment		3,518,709	3,034,918
Investment properties		45,008	47,022
Intangible assets		5,097,000	4,087,446
Investments accounted for using the equity method		773,671	783,924
Deferred income tax assets		27,040	27,462
Financial assets at fair value through other comprehensive income		72,600	61,500
Trade and other receivables	10	24,996	27,174
Prepayments related to other non-current assets		58,389	218,386
		<u>9,889,619</u>	<u>8,555,621</u>
Current assets			
Inventories		154,642	115,876
Contract assets		2,414,722	1,161,728
Trade and other receivables	10	1,407,831	1,393,096
Financial assets at fair value through other comprehensive income		6,747	27,083
Financial assets at fair value through profit or loss		39,018	—
Cash and cash equivalents		1,014,978	1,640,081
Restricted cash		177,279	24,653
		<u>5,215,217</u>	<u>4,362,517</u>
Total assets		<u>15,104,836</u>	<u>12,918,138</u>

CONSOLIDATED BALANCE SHEET (Continued)

		As at 31 December	
		2021	2020
	Notes	RMB'000	RMB'000
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	11	8,466	8,466
Treasury shares	11	(200,697)	—
Share premium	11	528,133	817,455
Reserves	12	736,819	556,177
Retained earnings		4,145,458	3,317,103
		<u>5,218,179</u>	<u>4,699,201</u>
Non-controlling interests		<u>310,195</u>	<u>281,086</u>
Total equity		<u>5,528,374</u>	<u>4,980,287</u>
LIABILITIES			
Non-current liabilities			
Borrowings		4,247,647	2,770,055
Lease liabilities		7,060	4,226
Deferred income tax liabilities		753,669	593,221
Deferred income		12,627	13,899
		<u>5,021,003</u>	<u>3,381,401</u>
Current liabilities			
Trade and other payables	13	1,418,781	1,363,567
Contract liabilities		592,003	458,067
Dividend payables		6,533	7,574
Current income tax liabilities		437,566	398,237
Borrowings		2,058,375	2,294,584
Lease liabilities		2,914	3,976
Financial liabilities at fair value through profit or loss		39,287	30,445
		<u>4,555,459</u>	<u>4,556,450</u>
Total liabilities		<u>9,576,462</u>	<u>7,937,851</u>
Total equity and liabilities		<u>15,104,836</u>	<u>12,918,138</u>

1. GENERAL INFORMATION OF THE GROUP

Tian Lun Gas Holdings Limited (formerly known as: 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 2022.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 2021:

- Interest Rate Benchmark Reform –Phase 2 — amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16

The Group also elected to adopt the following amendments early:

- Annual Improvements to HKFRS Standards 2018-2020 Cycle,
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction — amendments to HKAS 12, and
- Covid-19-Related Rent Concessions beyond 30 June 2021

These amendments 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.

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.

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. 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 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 — net, finance expense — net, share of results of associates and a joint venture, unallocated corporate expenses such as central administration costs and directors’ salaries.

3. SEGMENT INFORMATION *(Continued)*

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.

The segment information provided to the senior executive management team for the reportable segments for the year ended 31 December 2021 is as follows:

	Sales of natural gas in cylinders <i>RMB'000</i>	Sales of natural gas in bulk <i>RMB'000</i>	Engineering construction services <i>RMB'000</i>	All other segments <i>RMB'000</i>	Inter-segment elimination <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
Total revenue	4,089,670	1,027,268	2,221,512	580,330	(268,435)	—	7,650,345
Inter-segment revenue	—	—	—	268,435	(268,435)	—	—
External revenue	4,089,670	1,027,268	2,221,512	311,895	—	—	7,650,345
Timing of revenue recognition							
At a point in time	4,089,670	1,027,268	—	309,212	—	—	5,426,150
Over time	—	—	2,221,512	2,683	—	—	2,224,195
Segment profit	415,607	81,085	881,344	131,402	—	—	1,509,438
Unallocated expenses						(23,222)	(23,222)
Other income						15,485	15,485
Other gains — net						99,409	99,409
Operating profit							1,601,110
Finance expenses — net						(228,053)	(228,053)
Share of results of associates and a joint venture						(10,253)	(10,253)
Profit before income tax							1,362,804
Income tax expense						(334,690)	(334,690)
Profit for the year							1,028,114

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 <i>RMB'000</i>	Sales of natural gas in bulk <i>RMB'000</i>	Engineering construction services <i>RMB'000</i>	All other segments <i>RMB'000</i>	Inter-segment elimination <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
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 — 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>

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 2021, revenue of approximately RMB1,440,960,000, which is about 19% of the Group's total revenue, is derived from a single customer (2020: RMB1,795,890,000, about 28%). The revenue is attributable to the engineering construction service and sales of natural gas in bulk (2020: engineering construction service and sales of natural gas in bulk).

4. EXPENSES BY NATURE

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials and consumables used	4,668,463	3,507,196
Depreciation on property, plant and equipment	190,704	163,350
Depreciation on investment properties	2,670	3,025
Amortisation of intangible assets	123,706	97,502
Employee benefit expenses	281,923	204,825
Depreciation of right-of-use assets	10,893	11,789
Licensing fee for the exclusive operating rights for city pipeline network	1,100	1,100
Engagement of construction and design services	720,643	782,106
Transportation costs	6,019	6,833
Travelling expenses	7,016	5,105
Maintenance costs	25,917	20,559
Auditors' remuneration		
— Audit services	3,550	3,450
Professional expenses	10,081	5,455
Advertising expenses	2,821	3,415
Entertainment expenses	12,471	11,840
Office expenses	15,369	16,756
Taxes	25,393	21,743
Energy consumption	31,969	26,461
Net impairment loss	18,030	9,771
Miscellaneous	5,391	4,135
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Total cost of sales, distribution expenses and administrative expenses	6,164,129	4,906,416
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5. OTHER INCOME

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Government grants in relation to		
— Tax refund	2,914	3,114
— Subsidies for local investment rewards and other incentives	12,571	6,714
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	15,485	9,828
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6. OTHER GAINS — NET

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Gains on disposal of property, plant and equipment	425	3,281
Penalty and overdue fines	(3,419)	(2,023)
Changes in fair value of contingent consideration	54,303	8,480
Net foreign exchange gains	71,115	188,536
Losses on forward exchange instrument	(16,813)	(30,445)
Disposal losses of notes receivable measured at fair value through other comprehensive income	(1,993)	(2,691)
Others	(4,209)	(4,949)
	<u>99,409</u>	<u>160,189</u>

7. FINANCE EXPENSES — NET

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Finance income		
— Interest income from bank deposits and bank products	(7,729)	(11,228)
	<u>(7,729)</u>	<u>(11,228)</u>
Finance expenses		
— Interest expense on borrowings	242,916	260,550
— Leasing liabilities	677	102
— Others	7,335	5,676
Less: amounts capitalised on qualifying assets	(15,146)	(15,977)
	<u>235,782</u>	<u>250,351</u>
	<u>228,053</u>	<u>239,123</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 2021 and 31 December 2020, 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 2021 and 31 December 2020, 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% (2020: 25%), except for certain group entities which are entitled to various concessionary tax rates or tax exemptions and reliefs.

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

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax on profits for the year	292,537	334,815
Deferred income tax	42,153	19,887
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	334,690	354,702
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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	
	2021	2020
Profit attributable to owners of the Company (RMB '000)	1,000,672	1,043,512
Weighted average number of shares in issue (thousands)	999,645	1,001,292
Basic earnings per share (RMB per share)	1.00	1.04

(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	
	2021	2020
Profit attributable to owners of the Company (RMB '000)	1,000,672	1,043,512
Weighted average number of shares in issue (thousands)	999,645	1,001,292
Adjustments for:		
— Share options (thousands)	—	586
Weighted average number of ordinary shares for diluted earnings per share (thousands)	999,645	1,001,878
Diluted earnings per share (RMB per share)	1.00	1.04

10. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Trade receivables — gross (a)	390,109	287,522
Receivables due from related parties (a)	324,428	332,024
Less: provision for impairment	(31,883)	(20,432)
Notes receivable	45,676	5,918
Prepayments	542,211	633,819
Other receivables	111,946	144,558
Less: provision for impairment	(310)	(299)
Value-added-tax to be offset and prepaid income tax	50,650	37,160
	<u>1,432,827</u>	<u>1,420,270</u>
Less: long-term prepayments	(24,996)	(27,174)
Current portion	<u><u>1,407,831</u></u>	<u><u>1,393,096</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 RMB310,821,000 (2020: RMB318,417,000), presented based on billing date at the end of the reporting period:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Less than one year	569,333	551,318
1 year to 2 years	101,352	16,216
Over 2 years	30,245	38,405
	<u>700,930</u>	<u>605,939</u>

11. SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

(a) Share capital and share premium

	Number of shares <i>(thousands)</i>	Ordinary shares <i>RMB'000</i>	Share premium <i>RMB'000</i>	Total <i>RMB'000</i>
Issued and fully paid:				
At 1 January 2020	999,615	8,430	1,029,366	1,037,796
Dividends relating to 2020 dividend	—	—	(235,003)	(235,003)
Issue of shares pursuant to share option scheme	4,000	36	23,092	23,128
At 31 December 2020	1,003,615	8,466	817,455	825,921
Dividends relating to 2021 dividend <i>(Note 14)</i>	—	—	(289,322)	(289,322)
At 31 December 2021	1,003,615	8,466	528,133	536,599

The total authorised number of ordinary shares is 2,000,000,000 shares (2020: 2,000,000,000 shares) with a par value of HK\$0.01 per share (2020: HK\$0.01 per share).

11. SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES (Continued)

(b) Treasury shares

	Number of shares (thousands)	Amounts RMB'000
At 31 December 2020	—	—
Repurchase of shares	31,490	200,697
	<u>31,490</u>	<u>200,697</u>
At 31 December 2021	<u>31,490</u>	<u>200,697</u>

During the year ended 31 December 2021, the Company repurchased its own ordinary shares on the Stock Exchange of Hong Kong Limited as follows:

Month/Year	Number of shares (thousands)	Highest Price per share HK\$	Lowest Price per share HK\$	Aggregate price paid HK\$'000
August to December/2021	<u>31,490</u>	<u>8.42</u>	<u>6.55</u>	<u>245,754</u>

12. RESERVES

	Capital reserves	Statutory reserves	Financial assets at fair value through other comprehensive income	Total
	<i>RMB '000</i>	<i>RMB '000</i>	<i>RMB '000</i>	<i>RMB '000</i>
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>i</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)
At 31 December 2020	(90,608)	632,288	14,497	556,177
At 1 January 2021	(90,608)	632,288	14,497	556,177
Revaluation-gross	—	—	11,100	11,100
Revaluation-tax	—	—	(2,775)	(2,775)
Appropriation (<i>i</i>)	—	172,317	—	172,317
At 31 December 2021	(90,608)	804,605	22,822	736,819

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 2021, approximately RMB172,317,000 (2020: RMB124,867,000) were appropriated to the statutory surplus reserves funds from net profits of certain PRC subsidiaries.

13. TRADE AND OTHER PAYABLES

	As at 31 December	
	2021	2020
	<i>RMB’000</i>	<i>RMB’000</i>
Trade payables (a)	585,245	823,855
Notes payables	244,494	44,400
Amounts due to related parties	4,447	12,654
Accrued payroll and welfare	8,930	2,135
Interest payables	11,704	11,850
Other taxes payables	263,330	225,886
Contingent consideration payables	180,700	111,708
Other payables	119,931	131,079
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	1,418,781	1,363,567
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13. TRADE AND OTHER PAYABLES (Continued)

- (a) At 31 December 2021 and 31 December 2020, the ageing analysis of the trade payables, based on billing date was as follows:

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Less than 1 year	544,956	780,801
1 year to 2 years	24,758	24,655
2 years to 3 years	6,633	10,854
Over 3 years	8,898	7,545
	<hr/>	<hr/>
	585,245	823,855
	<hr/> <hr/>	<hr/> <hr/>

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

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
RMB	1,412,979	1,354,186
USD	4,815	3,790
HK\$	987	5,591
	<hr/>	<hr/>
	1,418,781	1,363,567
	<hr/> <hr/>	<hr/> <hr/>

14. DIVIDENDS

The dividend paid in 2021 was RMB289,322,000 (2020: RMB235,003,000).

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Final dividend for the year ended 31 December 2020 of RMB15.30 cents per share(2019: RMB12.00 cents per share) paid to ordinary shares	154,768	120,027
Interim dividend for the year ended 31 December 2021 of RMB13.43 cents per share(2020: RMB11.40 cents per share) paid to ordinary shares	134,554	114,976
	289,322	235,003

Pursuant to the resolution of the Board of Directors dated 31 March 2022, the directors of the Company proposed to distribute total final dividend of RMB147,141,000 (RMB14.57 cents per share) for the year ended 31 December 2021 (2020: RMB154,768,000, RMB15.30 cents per share), which was not recognised as a liability at year end.

INDUSTRY REVIEW

As a vital material basis for the national economy, energy ensures the normal operations of economic production and life of residents. At the current stage, global energy consumption is accelerating its transition towards the direction of clean, diversified and low-carbon energy, and the percentage of natural gas and renewable energy in energy consumption will continue to increase. It is expected that, by 2040, the world will form a diversified energy supply structure which consists of petroleum, natural gas, coal and non-fossil energy, while renewable energy and natural gas will gradually replace coal and petroleum to become the main source for over 40% of energy increment.

According to China's energy development strategies, natural gas is an indispensable sector under the strong promotion of low-carbon economy and green development by the government. In 2021, the supply and demand of natural gas market was at a tight balance, the apparent consumption nationwide was 372.6 billion m³, representing a year-on-year growth of 12.7%; the production was 207.58 billion m³, representing a year-on-year growth of 7.8%; and the annual total import volume was 1,213.6 billion tons, representing a year-on-year increase of 19.9%. While starting a new phase of developing an ecological civilization in China, the Central Committee of the Communist Party of China and the State Council issued the "Working Guidance for Carbon Dioxide Peaking and Carbon Neutrality in Full and Faithful Implementation of the New Development Philosophy (《關於完整準確全面貫徹新發展理念做好碳達峰碳中和工作的意見》)" and the "Action Plan for Carbon Dioxide Peaking Before 2030 (《2030年前碳達峰行動方案》)", which plans and arranges top-level design and action roadmap for achieving carbon peak emissions and carbon neutrality. The National Energy Administration issued the "Key Points on Energy Regulation Work for 2021 (《2021年能源監管工作要點》)", which fully implements the energy system reform, steadily promotes the construction of oil and gas market, and further emphasizes the bridging and supportive role of low-carbon energy natural gas in the energy transition phase.

In addition to top-level policy design, the government enhances its management of safety and hidden dangers in the natural gas industry as well as imposes higher safety management requirements on gas enterprises. In terms of laws, the newly amended "Production Safety Law of the People's Republic of China" has expressly enacted laws on gas safety management measures, requiring the implementation of normalized safety measures such as gas alarms, home safety inspections and safety trainings for frontline staff. In terms of execution, the Work Safety Committee of the State Council issued the "Work Plan for Special Rectification of Urban Gas Safety in China (《全國城鎮燃氣安全專項整治工作方案》)" which plans to strengthen the urban gas safety work, as well as urges local governments to actively organize the gas safety inspection and rectification work, fully inspects the safety risks throughout the whole chain and process of the gas industry, and strives to prevent and curb major gas accidents and accidents with serious consequences. The enhancement and implementation of safety production and management will effectively promote high-quality development of gas industry, thus achieve "survival of the fittest" principle in the industry development.

While expanding the natural gas market and ensuring the stability of gas industry in general, urban gas enterprises have successively prepared themselves to step into the new energy “racetrack”. Being a cleaner traditional energy, natural gas has entered a period of rapid growth in recent years. However, under the goals of carbon peak emissions and carbon neutrality, actively seeking to transit to new energy sectors such as photovoltaics, wind power and energy storage has become a major industry trend. The Premier of the State Council Li Keqiang pointed out at a conference on energy conservation, emission reduction and tackling climate change that, in order to promote the implementation of “Report on the Work of the Government (《政府工作報告》)” and push ahead the development of energy conservation, emission reduction and low-carbon, China needs to actively develop clean energy (such as wind power, nuclear power, hydropower, photovoltaics) and energy-saving and environmental protection industries, vigorously promote distributed energy, as well as develop smart power grids. Various national ministries and commissions, such as the Ministry of Industry and Information Technology, the National Development and Reform Commission, the Ministry of Finance and the National Administration for Rural Revitalization, have also made deployment for the development plan of new energy industry, as well as improved the new energy mechanisms and policy measures at both supply side and consumer side, so as to adapt to the needs for promoting green and low-carbon energy transition under the new trend.

2021 was the beginning of China’s “14th Five-Year Plan”, and with President Xi Jinping’s speech at the 75th session of the General Assembly of the United Nations, solemnly announced to the world for the first time regarding the development goal of “China’s carbon peak emissions by 2030; and carbon neutrality by 2060”, transformation to safe and clean energy will be the key energy strategy in China’s “14th Five-Year Plan”, and clean energy and renewable energy will also undergo greater development during the “14th Five-Year Plan” period.

BUSINESS REVIEW

For the year ended 31 December 2021, the Group has practiced its operational philosophy of “implementing diverse measures, sticking to development philosophy, and innovating development models”. While exploring deep the gas industry, it has expanded its business scale through selective mergers and acquisitions strategies to realize corporate transformation and energy level enhancement with innovative thinking. As a result, the Group maintained the steady growth of its overall performance.

The key results and operating information of the Group for the year ended 31 December 2021 as compared to the corresponding period of the previous year are as follows:

	For the year ended 31 December		
	2021	2020	Change by
Revenue (<i>RMB '000</i>)	7,650,345	6,439,777	18.8%
Gross profit (<i>RMB '000</i>)	1,779,119	1,786,125	(0.4%)
Core profit for the year* (<i>RMB '000</i>)	915,343	895,213	2.2%
Profit attributable to owners of the Company (<i>RMB '000</i>)	1,000,672	1,043,512	(4.1%)
Weighted average shares (Unit: '000)	999,645	1,001,292	(0.2%)
Earnings per share** — basic (<i>RMB</i>)	1.00	1.04	(3.8%)
Total pipeline gas users:	4,938,642	4,204,256	17.5%
— Residential users (households)	4,901,266	4,175,949	17.4%
— Industrial and commercial users (users)	37,376	28,307	32.0%
Natural gas sales volume (in ten thousand m ³):	194,238	151,461	28.2%
— Sales volume of retail business of natural gas (in ten thousand m ³)	156,613	121,774	28.6%
— Natural gas sales volume to residential users (in ten thousand m ³)	44,776	37,524	19.3%
— Natural gas sales volume to industrial and commercial users (in ten thousand m ³)	102,678	76,429	34.3%
— Natural gas sales volume to transportation users (in ten thousand m ³)	9,159	7,820	17.1%
— Sales volume of wholesale business of natural gas (in ten thousand m ³)	37,624	29,686	26.7%
Long-haul pipeline gas transmission volume (in ten thousand m ³)	81,287	76,563	6.2%
Total length of medium and high-pressure pipelines (kilometre)	8,606	7,063	21.8%

* Excluding other gains — 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 2021, the Group connected a total of 638,713 new residential users to gas pipelines, and the total number of residential users to gas pipelines increased to 4,901,266, representing an increase of 17.4% as compared with the corresponding period of last year.

For the year ended 31 December 2021, the Group provided engineering construction service for a total of 4,646 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 37,376, representing an increase of 32.0% as compared with the corresponding period of last year.

Gas Sales Volume

For the year ended 31 December 2021, natural gas sales volume of the Group amounted to 1,942 million m³, representing an increase of 28.2%, as compared with the corresponding period of last year. Among which, gas sales volume in retail business amounted to 1,566 million m³, representing an increase of 28.6% 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 23.1%, 52.8%, 4.7% and 19.4% of total gas sales volume, respectively.

For the year ended 31 December 2021, pipeline gas transmission volume of the Group was 813 million m³.

Development of New Projects

During the year ended 31 December 2021, the Group took up the operation and management of four urban gas projects in Jingyuan County, Baiyin City in Gansu Province, Datong County, Xining City and Huzhu County, Haidong City in Qinghai Province, and Mianzhu City in Sichuan Province, with relevant financial consolidation completed. Through mergers and acquisitions and tender, the Group has newly acquired two urban gas projects in Mianzhu City in Sichuan Province and Wangqing County, Yanbian Korean Autonomous Prefecture in Jilin Province, respectively. During the Reporting Period, the Group had a total of 69 urban gas projects in 16 provinces across the country.

Acquisition of urban gas project in Mianzhu City in Sichuan Province

Mianzhu City, Sichuan Province is located in the Chengdu-Chongqing urban agglomeration and the core area of the Chengdu-Deyang-Mianyang city cluster, and is expected to become a major transportation hub between Chengdu and Tibet. The project has a stable gas supply, and the building of 80.6 kilometers of high-pressure and secondary high-pressure pipelines within the main pipeline network and 262.3 kilometers of township medium-pressure gas pipelines was completed. At the same time, the region, where locates De'a Industrial Park, Jiangsu Industrial Park and Equipment Manufacturing Industrial Park, has a good industrial foundation. De'a Industrial Park is the only provincial-level development zone in Sichuan Province that is dominated by the lithium battery industry for new materials and new energy industries. Jiangsu Industrial Park focuses on industries such as food processing, machinery manufacturing and photovoltaic energy, and Equipment Manufacturing Industrial Park focuses on ferrous metal smelting, equipment manufacturing and warehousing logistics. Therefore, the future industrial gas consumption in this area will be large with good development potential. In addition, the project has the only LNG filling station from Mianzhu to Deyang City, which is a significant geographical advantage. In the future, this project can form a synergistic development advantage with the projects operated by the Group in Xindu District and Jintang County in Chengdu.

Obtain urban gas project in Wangqing County, Yanbian Korean Autonomous Prefecture in Jilin Province

Wangqing County is located in the northern part of Yanbian Korean Autonomous Prefecture. It is an important link among the Changjitu Development and Opening Pilot Zone, the eastern Jilin Province and Heilongjiang Province, with convenient transportation and significant geographical advantages. The project is a natural gas market to be developed, with broad prospects for future market development. Wangqing County is rich in local forestry resources and under-forest resources. The Wangqing Industrial Concentration Zone located in the business area has formed a certain scale of industrial projects of forestry processing industry, food processing industry and other industries. According to Jilin Province' plans for the Changjitu Development and Opening Pilot Zone and Wangqing County, the area is leveraging its forest resources to form an industrial chain for food processing and export, and there is a good development potential for the gas sales volume to the industrial customers. The acquisition of this project enables the Group to expand its business to Yanbian Korean Autonomous Prefecture and further enhance its business volume and influence in Jilin Province. At the same time, the project is adjacent to Dunhua City where the Group has operation, which can form regional synergy that is conducive to improving management efficiency and reducing operating costs.

Gas Source Optimization

In 2021, the trend of energy price was complex and fluctuating. Therefore, the Group further adjusted the procurement strategy, optimized the gas source structure and enhanced its ability to secure supply based on the supply and demand as well as market conditions. The Group endeavored to promote the coordination and cooperation of gas sources by striving for new open gas source in the primary pipe network, maintaining good cooperation with upstream suppliers, increasing the contract increment of existing projects, establishing and completing the external coordination and cooperation resource system of gas sources to realize the docking in various regions as required. Through the development of centralized procurement for LNG trade, a large-amount prepayment model for LNG trade was adopted for trial run so as to lock the volume, price and profit in advance. Meanwhile, it strived to explore and introduce various gas sources as well as expand to unconventional gas sources to enhance its ability to control resources.

During the Reporting Period, the Group has a total of six long-haul pipelines, five of which have been put into operation with one in Da'an City, Jilin Province, one in Wujiang City, Jiangsu Province, two in Pingdingshan City, Henan Province and one in Xuchang City, Henan Province, which play an important role in securing the Group's gas source supply. Among which, Yuzhou-Changge project has commenced operation of gas supply by supplying gas to Xuchang Company (許昌公司), a member of the Group, so as to further reduce the cost of gas supply for the company while Puyang-Hebei pipeline has commenced preliminary preparation. As of 31 December 2021, the total length of medium and high-pressure pipelines of the Group reached 8,606 kilometers.

Value-added Services

The continuous expansion of the Group's urban gas users has provided abundant customer resources and broad development space for developing value-added business. The Company has continued to carry out customer-oriented value-added services, providing users with a variety of products and services, so as to meet multi-layered needs of customers, to tap potential value, to attract consumption from users, to improve ongoing user satisfaction, and to increase corporate profitability. In addition to traditional value-added businesses such as conversion business, sales of gas appliance and insurance business, the Company is committed to building its own brand and expanding its business scale in multiple dimensions. The management efficiency of value-added services has been improved in terms of measurement, security, system interaction and IoT perception etc. with the "Internet + IoT" technology while comprehensive service capabilities have been enhanced to empower value-added services.

As at 31 December 2021, revenue from value-added business achieved RMB268 million, representing a substantial increase of 94.6% as compared with RMB138 million for the corresponding period of last year; gross profit reached RMB139 million, representing a substantial increase of 56.0% as compared with RMB89 million for the corresponding period of last year.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2021, the Group's revenue amounted to RMB7,650 million, representing an increase of RMB1,211 million or 18.8% as compared with the corresponding period of last year. Among which, revenue from engineering construction services amounted to RMB2,222 million which represented a decrease of 12.9% as compared with the corresponding period of last year; revenue from gas retail business amounted to RMB4,090 million which represented an increase of 33.6% as compared with the corresponding period of last year; revenue from gas wholesale business amounted to RMB1,027 million which represented an increase of 52.4% as compared with the corresponding period of last year. The Group's revenue was primarily derived from sales of natural gas in cylinders and in bulk business, engineering construction service business, accounting for 53.5%, 13.4% and 29.0% (the corresponding period of last year: 47.5%, 10.5% and 39.6%), respectively, of the total revenue for the year ended 31 December 2021.

Revenue from engineering construction services

For the year ended 31 December 2021, revenue generated from engineering construction services amounted to RMB2,222 million, representing a year-on-year decrease of 12.9% as compared with RMB2,550 million for the corresponding period of last year. In term of engineering construction services proceeds, for the year ended 31 December 2021, cash proceeds from engineering construction services amounted to RMB1,426 million.

Revenue from Gas Retail Business

For the year ended 31 December 2021, revenue from gas retail business of the Group amounted to RMB4,090 million, representing a year-on year increase of 33.6% as compared with RMB3,061 million for the corresponding period of last year.

Revenue from Gas Wholesale Business

For the year ended 31 December 2021, revenue from gas wholesale business of the Group amounted to RMB1,027 million, representing a year-on-year increase of 52.4% as compared with RMB674 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 explored deep into the needs of users, strived to enrich product content and enhanced comprehensive service capabilities, bringing in revenue from other business of RMB312 million, representing a substantial increase of 100.7% as compared with RMB155 million for the corresponding period of last year.

Gross Profit and Gross Profit Margin

For the year ended 31 December 2021, the Group realized gross profit of RMB1,779 million, representing a decrease of RMB7.01 million or 0.4% from the corresponding period of last year. Overall gross profit margin of the Group was 23.3%, representing a decrease of 4.4 percentage points as compared with the corresponding period of last year.

Other gains — Net

For the year ended 31 December 2021, other gains — net of the Group amounted to RMB99 million, representing a decrease of RMB61 million as compared with the corresponding period of last year.

Finance Expenses — Net

For the year ended 31 December 2021, finance expenses — net of the Group amounted to RMB228 million, representing a decrease of RMB11 million as compared with the corresponding period of last year.

Net Profit and Core Profit

For the year ended 31 December 2021, net profit of the Group amounted to RMB1,028 million, representing a decrease of RMB36 million or 3.3% as compared with the corresponding period of last year. For the year ended 31 December 2021, core profit of the Group amounted to RMB915 million, representing an increase of 2.2% as compared with RMB895 million for the corresponding period of last year.

Net Profit Attributable to Owners of the Company

For the year ended 31 December 2021, net profit attributable to owners of the Company was RMB1,001 million, representing a decrease of RMB43 million or 4.1% 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 2021, the Group incurred capital expenditure of RMB1,341 million, of which RMB918 million was used in project acquisitions and RMB423 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 2021, the Group held cash and cash equivalents of RMB1,015 million in total, of which 97.1% was denominated in RMB, 1.6% was denominated in HK dollars and 1.3% was denominated in US dollars, safeguarding the needs of project expansion and acquisition of businesses of the Group.

As at 31 December 2021, the Group's total borrowings were RMB6,306 million (among which loans denominated in RMB were RMB3,477 million, loans denominated in US dollars were RMB2,036 million and loans denominated in HK dollars were RMB793 million). Among those borrowings, 67.4% of which were classified as non-current liabilities, and 32.6% of which were classified as current liabilities. As at 31 December 2021, the gearing ratio, calculated based on the percentage of total liabilities over total assets, was 63.4%.

FINANCE COST AND EXCHANGE RISK MANAGEMENT

For the year ended 31 December 2021, the Group's finance cost was RMB243 million, representing a decrease of 6.9% as compared with the corresponding period of last year.

For the year ended 31 December 2021, the Group's overseas borrowings denominated in foreign currencies accounted for 44.9% 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

Based on the strategic goals of development, the Group has continued to innovate and refine information management, thereby reducing corporate costs and risks in an effective manner while improving corporate decision-making and core competitiveness.

During the year, for the rural gasification projects, the Group promoted the cost management system and the Behind-the-Meter Construction Management System (表後工程管理系統). Among which, digital settlement was adopted for the cost management system to realize cost management analysis of the construction project from the project stage of bidding to the completion of settlement during the whole process, providing reference analysis for the Group in making business decisions. It also can be linked with the smart storage system to realize the functions such as the verification of materials, project estimate, project budget and project settlement. The Behind-the-Meter Construction Management System can achieve the one-stop service, i.e. dispatching and making appointment for construction; timely acceptance and convenient behind-the-meter charges, for single household, whole village and whole township via login into the PC terminal or APP, which further improves the service quality of the Group's rural gasification projects. In addition, upon the acceptance of the construction, it can directly remit the received materials, practical materials and the materials that should be returned by the construction unit. It can also be integrated with the existing financial NC system after completing the verification of materials, so as to carry forward the construction in a rapid way.

In addition, the Group has built a bidding and procurement system to jointly realize online management and effective support for various procurement models such as open bidding, invitational bidding, quotation, competitive bargaining and single source, and achieve the full management of bidding project establishment, tender issuance, bidding, bid evaluation, winning the bid, as well as the release of information on bidding and procurement and the self-service function of suppliers. The Group has also built a video conferencing system and continued to optimize the network so as to fulfil the needs of full coverage of “headquarters-management company-subsiary” for remote conference scenarios, further reducing the financial and time costs incurred in cross-regional conferences.

SUSTAINABLE DEVELOPMENT

ESG Management

In order to better integrate ESG into corporate governance as well as promote the strategic transformation organized and implemented as planned by the Company, it has further established the overall ESG strategic framework and goals subject to the needs of future development strategies. In 2021, the Company established an improvement plan with a complete framework, clear hierarchy, clear rights and responsibilities and efficient operation for ESG governance structure, implementing a three-level structure, namely “governance level, management level and execution level” to proceed ESG management at each level. The establishment of an ESG organizational and management system under the charge of the Board as well as an ESG working group to deeply practice the philosophy and goals of sustainable development, and promote the integration of ESG into corporate culture, functional departments and daily operation and management process. In addition, the sustainable development report is used to disclose the sustainable development process of the Company to stakeholders from multiple channels and perspectives, so as to improve the transparency of the Company’s operation.

Environmental Responsibility

2021 marks the beginning of the “14th Five-Year Plan” and the implementation of “dual carbon goals”. Natural gas will continue to play its role as a bridge in the transformation from fossil energy to new energy. Tian Lun Gas, in the process of nearly 20-year development, has accumulated rich experience in city gas project operation. Since 2018, it has cooperated with Henan Yuzi on the promotion of “rural gasification” in Henan’s engineering construction to revitalize rural areas with green development, while exploring deep the needs of industrial and commercial users to provide ongoing clean and efficient smart energy solutions for industrial and commercial users. In 2021, the Company’s operation and transmission business distributed a total of 2,755 million m³ of natural gas, equivalent to the replacement of approximately 4.59 million tons of standard coal consumed.

Social Responsibility

Currently, the COVID-19 pandemic is still raging around the world with unceasing local infections and outbreaks in China. Faced with severe prevention and control of the pandemic, the Group has implemented a strict prevention mechanism for the pandemic in its operating halls, actively guided users to conduct business online, and visited communities or villages to conduct gas business based on users' needs, so as to ensure normal gas consumption by residents. While taking actions to get self-protection from the pandemic, door-to-door security checks will be arranged at any time subject to the actual situation of industrial and commercial users, and safety checks will also be conducted on station equipment, gas pipelines, pressure vessels, gas facilities, etc., to eliminate potential safety hazards as well as ensure safe and stable gas supply during the pandemic period.

In July 2021, Henan Province suffered from a natural disaster, extreme heavy rainfall, which adversely affected many areas. At the critical moment of flood control and rescue, all members of the Group in Henan province acted in a swift manner by launching the emergency rescue plan for flood control and gas, and rushing to rescue while securing supply as quick as possible. Being brave in response to dangers such as urban waterlogging, traffic paralysis and house damage, the rescue team was dispatched to investigate the dangers, rescue and repair with more than 460 batches of rescue missions and more than 190 emergency repairs on critical dangers, to ensure the safety of users and secure gas supply. While rushing to rescue and securing supply, the Group strived to raise funds and donate supplies with a total funding of RMB8 million to assist in flood control and disaster relief.

In the same month, Tian Lun Gas received its first loan granted by Asian Development Bank of USD50 million (or equivalent amount in RMB), which will be used to supplement its working capital. During the pandemic in 2020, Tian Lun Gas has strictly implemented the government's prevention and control policies for the pandemic, bravely assumed social responsibilities, and guaranteed the sustainable and stable gas supply to residential users. Vulnerable groups including single mothers, the elderly, children left unattended are also of our concern. Such grant of loan is highly recognized by ADB for Tian Lun Gas's corporate mission and social responsibility.

Safety Production

Guaranteeing safety production and occupational health is an important goal for sustainable development of enterprises. In 2021, the Company continued to maintain a record of safety incidents with zero accidents and zero incidents of occupational disease. As a responsible public utility enterprise, Tian Lun Gas has integrated safety management into its daily work, as well as continued to improve gas safety operations in five aspects: protection of organization and employees, safe operation of equipment, optimization of production environment, enhancement of management means, strengthening of safety publicity. The Company established a sound and pragmatic safety management system, specified the major safety responsibilities of safety committees, function centres and business units at all levels, implemented a safety production responsibility system for all employees, built a positive and normalized safety management model, and constantly promoted the construction of a safe information platform which made safety management work more scientific and efficient. Safety management put emphasis on preventive measures, thus internally, the Group organized safety trainings for all employees on a random schedule and established a safety training mechanism; and externally, the Group publicized knowledge on gas safety and increased residents' awareness on safe use of gas, thereby ensuring an all-rounded safety protection in place.

Quality Services

The Group has always adhered to the concept of “Being customer-centric and service-oriented”, and it enhanced customer satisfaction to continuously enhance brand influences through the provision of high-quality customer services. In order to better realize comprehensive service value and better serve its customers, the Company has established a brand-new customer service system and after-sale service platform and used information technology means on system integration, so as to achieve information sharing and complete the sales system upgrade. The Group deeply explored customer demands, collected user files, conducted big data analysis to form user profiles and constantly track user demands, and kept improving and upgrading its service system based on customer expectations. Also, the Group built service stations for resident users in townships as well as set up station points in villages and towns for convenient payment methods such as recharge devices, so as to continuously improve user experiences and service efficiency.

Talent Development

Tian Lun Gas has adhered to the “people-oriented” management philosophy, respected and protected the lawful rights of all employees, as well as established reasonable talent development channels and remuneration and welfare system, so as to enable joint creation and sharing among employees and the company. Through talent review of the “Hundred Talents Program” for operations and management cadres, the Group selected talents with high potentials, actively trained graduate reserve cadres, and explored talents who matched with its corporate values from internal and external channels, with an aim to constantly inject vitality into corporate development. The Group also built a “teach, assist and guide” mechanism for leader cadres and provided employees with more opportunities for growth so as to empower the team. In August 2021, the Company launched the share award scheme to motivate and attract professional talents as well as to improve team cohesion and enthusiasm, so as to further optimize and improve the incentive system.

NEW BUSINESS DEVELOPMENT

In order to adapt to the trend of green sustainable development, and seize the opportunities arising from energy reform, the Company, while implementing high-quality development for its existing gas business, strategically planned its layout in the new energy market. In July 2021, the Group successfully introduced Zhuhai Port, a company with a state-owned background, as a strategic investor (holding 11.96% shares and becoming the second largest shareholder of the company), thus both parties could together explore the construction of a new energy service system which combined both new energy technology, such as wind power and photovoltaics, and traditional gas services. Subsequently, the Group has successively entered into strategic cooperation agreements with three powerful energy enterprises, namely SPIC Henan, CECEP and POWERCHINA, and all these parties, together with the Group, could form complementary advantages of new energy technology and customer and market resources in business development in areas such as rooftop photovoltaics, clean energy heating services in urban and residential communities, and conversion of gas filling stations.

In addition, in February 2022, the Group issued an additional 50,000,000 shares at the price of HK\$8.40 per share, thereby raised a net start-up capital of HK\$414 million for effective development of new businesses. The Group intended to use the relevant net proceeds from the above matter as follows: (i) approximately HK\$289.8 million or 70% will be used for development of rooftop photovoltaics projects for rural residential users and commercial/industrial users; (ii) approximately HK\$82.8 million or 20% will be used for the development of clean energy heating services; and (iii) approximately HK\$41.4 million or 10% will be used for working capital and general corporate purposes.

In November 2021, in the Three-Year Strategy Plans (2022-2024) published by the Group, it was proposed that revenue from innovative business will account for 10% of the overall revenue by 2024, which further specified the development goal of new energy business. In the future, the Group will further expand the strategic cooperation ecosystem by actively exploring the application scenarios such as photovoltaics, energy storage, biomass gas and hydrogen with deployment of its respective advantages in the market, technology and customer resources so as to expand and promote synergy between gas and electricity as well as the intelligent and integrated energy business which is multi-energy complementary, striving to become the first-class green low carbon energy supplier and service provider in China.

Township Energy Development Plan

The Group formulated a detailed township energy development plan. Through the three phases: development phase for user resource, discovery phase for resource value and enhancement phase for resource value, the plan will bring new profit growth to the Group's township energy business and further enhance the sustainable development of the business.

First phase: Development phase for user resource (July 2018 to December 2021)

Since 2018, the Group has cooperated with Henan Yuzi to implement “rural gasification” construction in townships in Henan Province. After three and a half years of development, the Group has become the largest township gas market development operator in Henan Province, with its gasification construction projects covering 5,000 villages and providing engineering construction services to 1.87 million rural residential households. It has also built 6,800-kilometer of medium-pressure pipeline. At present, the Group has completed in stages the development and accumulation of township customers.

Second phase: Discovery phase for resource value (2022 to 2025)

2022 is the first year of the second phase for the Group's township energy planning. The Group will use such large-scale user base as a starting point for its township energy business. By 2025, the Group will cooperate with more high-quality business partners to fully explore user resource values, actively promote low-carbon energy construction in Henan villages, develop residential rooftop distributed photovoltaics project, and initially establish rural healthy life service network, in a bid to realize the country's rural revitalization goal under the 14th Five-Year Plan.

Third phase: Enhancement phase for resource value (2026 to 2030)

The Group will fully promote township energy development model which forms gas-power integration, actively facilitate the low-carbon energy construction in rural Henan, maturely operate the healthy life service network, as well as provide long-term assistance in rural revitalization and energy modernization.

OUTLOOK

In 2021, oil and gas industry had steady progress, with outstanding results in the increase of reserves and production. Driven by policies such as “carbon peak emissions” and “carbon neutrality” and “prevention and control on air pollution”, China’s natural gas exploration and development achieved great progress, production growth reached a new level, natural gas import volume showed rapid growth trend, and natural gas consumption also attained further growth. According to the “China Energy and Chemical Industry Development Report 2021 (《2021中國能源化工產業發展報告》)”, during the “14th Five-Year Plan” period, natural gas, as a low-carbon energy, still maintained an annual average consumption growth of over 7%, and the growth rate of domestic natural gas was ensured at approximately 5%. Despite substantial changes in the geopolitical environment resulting from China’s goals of energy transition, carbon neutrality and carbon peak emissions, global COVID-19 pandemic as well as regional conflicts in certain parts of the world, which will profoundly affect the natural gas development prospects in China, however, during the “14th Five-Year Plan” and in the long term, the overall trend of positive progress in the construction of a system of “production, supply, storage and marketing” of natural gas in China will remain unchanged, and the promotion of quality development of natural gas industry will still be the major direction and important driver of energy transition in China.

At the present stage, China’s energy structure is undergoing change and moving towards diversification, the momentum of energy development is transforming from traditional energy growth to new energy growth. Besides natural gas – the only low-carbon energy among fossil energies, new energy such as photovoltaics, wind power and hydrogen energy develop in a scientific and orderly manner, thereby accelerates the construction of a clean, low-carbon, safe and efficient energy mechanism. Under the macro-background of the deepening of such energy structural reform, the operating concepts of urban gas enterprises keep pace with the times, and gradually develop towards the industrial chain integration, value chain diversification and ecological chain low carbonization in the gas industry. During the transformation and development of urban gas enterprises, the cooperation between natural gas and renewable energy can become perfect complement to each other. Natural gas not only offsets the restrictive factors, such as lack of flexibility and low energy density, of renewable energy, but also is able to obtain “double guarantee” on economy and safety, thereby facilitates urban gas enterprises to accelerate their transformation to integrated energy service provider.

As a public utility listed enterprise which mainly engages in urban pipeline gas operations, Tian Lun Gas will continue to give full play to its advantages in clean energy field, actively coordinate with China's goals on carbon peak emissions and carbon neutrality, as well as strive to contribute to the construction of a modern energy system in China. The Group will use its market development capability and user volume accumulated from the traditional urban gas business as bases, and while focusing on its major business, the Group will continue to promote development of low-carbon innovative energy business. Meanwhile, the Group will extend along the industrial chain, be oriented to users' needs, fully explore user values, and enhance expansion of new business such as rooftop distributed photovoltaics, and clean and heating integrated energy business for industrial users as well as low-carbon transportation energy services, so as to provide customers with diversified energy supply and services.

According to the New Development Strategy Outline (2022-2024), the Group's positioning will be – focuses on gas business as the core, and provides users with low-carbon, economical, safe and convenient energy services through business expansion and innovation. And it is planned that, by 2024, while realizing the compound annual growth rate of not less than 25% in the overall gas retail sales volume, revenue from innovative business will account for 10% of the overall revenue, aiming to become China's first-class supplier and service provider for green low-carbon energy. To better fulfil this long-term goal, the Group will continue to enhance the importance of ESG management, continue to promote full-scale improvement plan for environmental protection, social responsibilities and corporate governance (ESG), and construct sustainable development framework, so as to strive for the integration of enterprise efficiency, ecological and environmental benefits and social benefits.

Repurchase, Sell or Redeem any Shares of the Company

During the year ended 31 December 2021, the Company purchased certain of its shares on the Stock Exchange which were subsequently cancelled by the Company. The details of such share repurchase for the year ended 31 December 2021 are summarised below:

Month	Number of shares repurchased	Repurchase price of shares		Price paid <i>In total</i> <i>HK\$</i>
		per share		
		<i>Highest</i> <i>HK\$</i>	<i>Lowest</i> <i>HK\$</i>	
December 2021	18,672,000	8.42	7.57	150,631,069.39

The 18,672,000 shares repurchased in December 2021 were cancelled in February 2022.

In 2021, pursuant to the rules of share award scheme and the terms of trust deed, the trustee of share award scheme purchased a total of 12,817,500 shares of the Company on the Stock Exchange for an aggregate amount of HK\$95,123,323.

The shares of the Company were repurchased by the Company in 2021 pursuant to the mandate granted by the shareholders at the annual general meeting held in May 2021, for the purpose of benefiting the Company and its shareholders as a whole by increasing the net asset value and earnings per share of the Company.

Save as disclosed above, neither the Company nor its subsidiaries had purchased, redeemed or sold any of listed securities of the Company.

EVENTS SUBSEQUENT TO THE REPORTING PERIOD

Cancellation of Shares Repurchased

On 7 February 2022, the Company has completed cancellation of 43,588,000 shares repurchased in aggregate from 2 December 2021 to 21 January 2022.

Top-up Placing of Existing Shares

On 21 February 2022, the Company, Tian Lun Group Limited and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent conditionally agreed, as agent of Tian Lun Group Limited, to procure on a best efforts basis the Placees to purchase an aggregate of up to 50,000,000 Shares at the price of HK\$8.40 per Share, on the terms and subject to the conditions set out in the Placing Agreement. At the same date, the Company entered into the Subscription Agreement with Tian Lun Group Limited, pursuant to which Tian Lun Group Limited conditionally agreed to subscribe for Subscription Shares (equivalent to the number of Placing Shares) at the Subscription Price (same as the Placing Price) in accordance with the terms and conditions set out in the Subscription Agreement.

On 24 February 2022, an aggregate of 50,000,000 Placing Shares of the Company have been successfully placed by the Placing Agent to not less than six Placees at the Placing Price of HK\$8.40 per Placing Share.

On 28 February 2022, an aggregate of 50,000,000 Subscription Shares have been subscribed by Tian Lun Group Limited at the Subscription Price of HK\$8.40 per Subscription Share (equivalent to the number of the Placing Shares actually sold by Tian Lun Group Limited under the Placing). The Subscription Shares represent approximately 4.95% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. For details, please refer to the announcements of the Company dated 21 February 2022 and 28 February 2022.

Contingent Liabilities

As at 31 December 2021, the Group had no material contingent liabilities.

Dividend

Pursuant to the resolutions of the Board on 31 March 2022, the Board recommended the payment of a final dividend (the “**Final Dividend**”) for the year ended 31 December 2021 of RMB14.57 cents per share (2020: RMB15.30 cents per share). Together with an interim dividend of RMB13.43 cents per share which had been paid, total dividend paid for the year ended 31 December 2021 was RMB28.00 cents per share.

The Final Dividend will be paid in Hong Kong dollars on or about 21 June 2022 (Tuesday) to the Shareholders whose name appear on the register of members of the Company on 7 June 2022 (Tuesday), 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 2 June 2022 (Thursday) to 7 June 2022 (Tuesday) (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 Shops 1712- 1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 1 June 2022 (Wednesday).

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 2021.

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 2021 to 31 December 2021.

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), Ms. Zhao Jun and Ms. Ou Yaqun. 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 2021.

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 2021 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 2021 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
Tian Lun Gas Holdings Limited
Zhang Yingcen
Chairman

Zhengzhou, the PRC, 31 March 2022

As at the date of this announcement, the executive Directors are Mr. Zhang Yingcen (Chairman), Mr. Xian Zhenyuan (Chief Executive), Ms. Qin Ling, Mr. Liu Min and Ms. Li Tao; the non-executive Director is Ms. Chen Hong; and the independent non-executive Directors are Mr. Liu Jin, Mr. Li Liuqing, Ms. Zhao Jun and Ms. Ou Yaqun.