蘇創燃氣
SUCHUANG GAS

SUCHUANG GAS CORPORATION LIMITED
蘇創燃氣股份有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1430)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL HIGHLIGHTS

- Revenue was approximately RMB1,181.1 million, representing a decrease of approximately 11.2% over last year.
- Gross profit was approximately RMB209.7 million, representing a decrease of approximately 15.6% over last year.
- Profit attributable to owners of the parent was approximately RMB54.4 million, representing a decrease of approximately 22.4% over last year.
- Basic earnings per share amounted to RMB0.06.
- The Board proposed to declare a final dividend of RMB0.022 per share for the year ended 31 December 2020, which will be subject to shareholders' approval at the annual general meeting. This represented a total distribution of RMB19.9 million for the year ended 31 December 2020.

ANNUAL RESULTS

The board (the "Board") of directors (the "Directors") of Suchuang Gas Corporation Limited (the "Company") is pleased to announce the audited consolidated financial results and financial position of the Company and its subsidiaries (collectively, the "Group" or "Suchuang Gas") for the year ended 31 December 2020 together with the comparative figures for the year ended 31 December 2019. These financial results have been reviewed by the audit committee of the Company (the "Audit Committee").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2020

	Notes	**2020** *RMB'000*	2019 *RMB'000*
REVENUE	*4*	**1,181,120**	1,329,875
Cost of sales		**(971,440)**	(1,081,359)
Gross profit		**209,680**	248,516
Other income and gains	*4*	**20,151**	10,399
Selling and distribution costs		**(15,845)**	(13,187)
Administrative expenses		**(86,286)**	(82,208)
Impairment losses on financial and contract assets, net		**(1,371)**	(2,234)
Other expenses		**(15,377)**	(24,641)
Finance costs	*5*	**(11,193)**	(12,310)
Share of (losses)/profits of associates		**(1,379)**	580
PROFIT BEFORE TAX	*6*	**98,380**	124,915
Income tax expense	*7*	**(44,116)**	(48,880)
PROFIT FOR THE YEAR		**54,264**	76,035
PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the parent		**54,421**	70,150
Non-controlling interests		**(157)**	5,885
		54,264	76,035
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**993**	(217)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**993**	(217)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the parent		**55,414**	69,933
Non-controlling interests		**(157)**	5,885
		55,257	75,818
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic			
– For profit for the year (RMB)	*8*	**0.06**	0.08
Diluted			
– For profit for the year (RMB)	*8*	**0.06**	0.08

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**669,991**	656,249
Right-of-use assets		**88,907**	92,435
Goodwill		**98,782**	98,782
Other intangible assets		**104,591**	114,063
Investments in associates		**129,727**	137,551
Equity investments designated at fair value through profit or loss		**53,255**	54,147
Debt investment at fair value through profit or loss		**95,029**	–
Debt instruments at amortised cost		**–**	95,044
Deferred tax assets		**40,388**	37,888
Other non-current assets		**12,344**	29,554
Total non-current assets		**1,293,014**	1,315,713
CURRENT ASSETS			
Inventories		**12,115**	9,046
Trade receivables	*10*	**157,778**	103,625
Contract assets		**9,208**	8,160
Prepayments, other receivables and other assets		**174,548**	122,660
Amounts due from other related parties		**34,281**	32,571
Financial assets at fair value through profit or loss		**55,000**	204,000
Debt instruments at amortised cost		**59,478**	43,295
Cash and bank		**505,066**	432,121
Total current assets		**1,007,474**	955,478
CURRENT LIABILITIES			
Trade and bills payables	*11*	**51,627**	60,688
Other payables and accruals		**73,258**	42,721
Contract liabilities		**144,495**	136,970
Amounts due to other related parties		**5,555**	650
Deferred revenue		**1,043**	1,043
Interest-bearing bank and other borrowings		**237,152**	242,233
Tax payable		**28,132**	29,517
Total current liabilities		**541,262**	513,822
NET CURRENT ASSETS		**466,212**	441,656
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,759,226**	1,757,369

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
31 December 2020

	2020	2019
	RMB'000	*RMB'000*
NON-CURRENT LIABILITIES		
Contract liabilities	**89,412**	91,638
Deferred revenue	**12,880**	13,924
Interest-bearing bank and other borrowings	**72,898**	105,845
Deferred tax liabilities	**28,805**	27,908
Total non-current liabilities	**203,995**	239,315
Net assets	**1,555,231**	1,518,054
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**7,215**	7,214
Reserves	**1,458,666**	1,423,079
	1,465,881	1,430,293
Non-controlling interests	**89,350**	87,761
TOTAL EQUITY	**1,555,231**	1,518,054

NOTES TO FINANCIAL STATEMENTS

31 December 2020

1. CORPORATE AND GROUP INFORMATION

The Company was incorporated in the Cayman Islands on 4 July 2013 as an exempted company with limited liability under the Companies Law, Chapter 22 of the Cayman Islands.

The registered office address of the Company was changed from Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands to Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KYI-1108, Cayman Islands on 16 December 2020.

The principal activity of the Company is investment holding.

The principal business activities of the Group during the year included the distribution and sale of piped natural gas, operating compressed natural gas ("CNG") and liquefied natural gas ("LNG") refuelling station business, the provision of natural gas transmission, and acting as the main contractor of construction and connection of gas pipelines in Mainland China.

In the opinion of the Directors of the Company, the ultimate controlling shareholders of the Company are Mr. Su Aping (蘇阿平) and Ms. Zhu Yaying (朱亞英) (together known as the "Controlling Shareholders").

The shares of the Company have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 11 March 2015.

2.1 BASIS OF PREPARATION

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

Basis of consolidation

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

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

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

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

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

2.1 BASIS OF PREPARATION (CONTINUED)

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

(a) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

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

(c) Amendments to IFRS 9, IAS 39 and IFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

(d) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

During the year ended 31 December 2020, certain monthly lease payments for the leases of the Group's office buildings have been reduced or waived by the lessors upon reducing the scale of production as a result of the pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the pandemic during the year ended 31 December 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB110,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2020.

(e) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Amendments to IFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform – Phase 2*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 17	*Insurance Contracts*[3]
Amendments to IFRS 17	*Insurance Contracts*[3, 5]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[3]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[2]
Amendments to IAS 1	*Disclosure of Accounting Policies*[3]
Amendments to IAS 8	*Definition of Accounting Estimates*[3]
Annual Improvements to IFRS Standards 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41[2]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 No mandatory effective date yet determined but is available for adoption
5 As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

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

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

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

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

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

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

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

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

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

Amendments to IAS 1 provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments replace the requirement to disclose "significant" accounting policies with a requirement to disclose "material" accounting policies. In assessing the materiality of accounting policy information, both quantitative and qualitative aspects need to be considered. Entity-specific accounting policy information is more useful for users of financial statements than the standardised information. The amendments also add guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 8 are designed to clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. The amendments explain how entities use measurement techniques and inputs to develop accounting estimates and state that these can include estimation and valuation techniques. The amendments clarify that not all estimates will meet the definition of an accounting estimate, but rather may refer to inputs used in developing accounting estimates. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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

- IFRS 9 *Financial Instruments:* clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- IFRS 16 *Leases:* removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

3. SEGMENT INFORMATION

For management purposes, the Group has only one reportable operating segment which is natural gas operation. Since this is the only reportable operating segment of the Group, no further operating segment analysis thereof is presented.

Geographical information

(a) Revenue from external customers

	2020	2019
	RMB'000	*RMB'000*
Mainland China	**1,180,977**	1,327,880
Overseas	**143**	1,995
	1,181,120	1,329,875

The revenue geographical information above is based on the locations of customers.

(b) Non-current assets

	2020	2019
	RMB'000	*RMB'000*
Mainland China	**1,102,948**	1,129,071
Overseas	**1,394**	1,857
	1,104,342	1,130,928

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about major customers

One single customer accounted for 13.8% or more of the Group's revenue for the year ended 31 December 2020 (2019: 24.4%).

The directors have only little information about whether a group of entities are under common control; and therefore the assessment is made according to the directors' best knowledge. Especially, the assessment is not for those entities which might solely be under the ultimate common control of the government after taking into account the economic integration among such entities in the economic environment with a large number of state-owned entities in Mainland China.

4. REVENUE, OTHER INCOME AND GAINS

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

	2020	2019
	RMB'000	*RMB'000*
Revenue from contracts with customers	**1,180,825**	1,330,380
Revenue from other sources		
Gross rental income from operating leases	**3,467**	3,443
	1,184,292	1,333,823
Less: Government surcharges	**(3,172)**	(3,948)
	1,181,120	1,329,875

Revenue from contracts with customers

	2020	2019
Type of goods or services		
Sale of natural gas	**1,041,466**	1,197,568
Construction and connection of gas pipelines	**123,504**	115,366
Transmission of natural gas	**11,008**	11,379
Others	**4,847**	6,067
Total revenue from contracts with customers	**1,180,825**	1,330,380
Timing of revenue recognition		
Goods or services transferred at a point in time	**1,057,321**	1,215,014
Services transferred over time	**123,504**	115,366
Total revenue from contracts with customers	**1,180,825**	1,330,380

4.2 An analysis of the Group's other income and gains is as follows:

	2020	2019
	RMB'000	*RMB'000*
Other income		
Interest income	**17,666**	8,293
Government grants	**1,984**	1,747
Dividends from equity investments designated at fair value through profit or loss	**83**	296
Others	**418**	63
	20,151	10,399

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2020 RMB'000	2019 RMB'000
Interest on interest-bearing borrowings and contract liabilities	**14,112**	13,053
Interest on lease liabilities	**151**	193
Others	**–**	39
Total interest expense on financial liabilities not at fair value through profit or loss	**14,263**	13,285
Less: interest capitalised	**(3,070)**	(975)
	11,193	12,310

6. PROFIT BEFORE TAX

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

	2020 RMB'000	2019 RMB'000
Cost of inventories sold	**941,158**	1,024,274
Cost of services provided	**30,282**	57,085
Depreciation of property, plant and equipment	**40,611**	36,385
Depreciation of right-of-use assets	**5,798**	5,244
Amortisation of intangible assets	**7,472**	5,043
Impairment of goodwill*	**–**	4,252
Impairment of associates*	**321**	–
Impairment of other intangible assets*	**3,353**	–
Lease payments not included in the measurement of lease liabilities	**329**	1,196
Foreign exchange loss*	**8,202**	1,465
Impairment of trade receivables, net	**1,371**	2,234
Gain on rent concessions as a result of COVID-19	**(110)**	–
Fair value losses/(gains):		
Equity investments designated at fair value through profit or loss*	**13,646**	26,671
Debt investment at fair value through profit or loss*	**(3,530)**	–
Financial assets at fair value through profit or loss*	**(6,829)**	(7,674)
Interest income	**(17,666)**	(8,293)

* All items are included in "Other expenses" in the consolidated statement of profit or loss and other comprehensive income.

7. INCOME TAX

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

Pursuant to the rules and regulations of the Cayman Islands, the Company is not subject to any income tax in that jurisdiction.

No provision for Hong Kong and the United States profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong and the United States during the year.

The provision for current income tax in Mainland China is based on the statutory rate of 25% (2019: 25%) of the assessable profits of the People's Republic of China ("PRC") subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008, except for certain group entities which are entitled to various concessionary tax rates or tax exemptions and reliefs.

The major components of income tax expense are as follows:

	2020	2019
	RMB'000	*RMB'000*
Current tax:		
Income tax in the PRC for the year	**45,786**	51,364
Adjustments in respect of current tax of previous years	**(65)**	169
Deferred tax	**(1,605)**	(2,653)
Total tax charge for the year	**44,116**	48,880

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 902,989,000 (2019: 902,924,000) in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of the basic and diluted earnings per share are based on:

	2020	2019
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**54,421**	70,150

	Number of shares	
	2020	2019
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**902,989,000**	902,924,000
Effect of dilution-weighted average number of ordinary shares:		
Share options	**55,565,199**	20,000,000
	958,554,199	922,924,000

9. DIVIDENDS

On 31 March 2021, the Board resolved to propose a final dividend for the year ended 31 December 2020 of RMB0.022 per ordinary share (2019: RMB0.028), subject to the approval by the shareholders at the forthcoming annual general meeting of the Company.

	2020	2019
	RMB'000	*RMB'000*
Proposed final – RMB0.022 (2019: RMB0.028) per ordinary share	**19,868**	25,282

10. TRADE RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Trade receivables	**164,595**	109,071
Impairment	**(6,817)**	(5,446)
	157,778	103,625

The Group's trading terms for the sale of natural gas are payment in advance or due within 30 to 90 days from delivery for different customers, the trading terms for the rendering of construction and connection services of gas pipelines are mainly on credit and the average trade credit period are 180 days, and the trading terms for the rendering of natural gas transmission services are generally payment in advance. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly and actively monitored by senior management to minimise credit risk. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are unsecured and non-interest-bearing.

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

	2020	2019
	RMB'000	*RMB'000*
Within 90 days	**124,164**	76,339
91 days to 180 days	**2,956**	839
181 days to 360 days	**13,984**	21,858
Over 360 days	**16,674**	4,589
	157,778	103,625

11. TRADE AND BILLS PAYABLES

	2020	2019
	RMB'000	*RMB'000*
Trade payables	**51,627**	31,688
Bills payable	**–**	29,000
	51,627	60,688

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

	2020	2019
	RMB'000	*RMB'000*
Within 90 days	**39,490**	25,087
91 to 180 days	**325**	33,302
181 to 360 days	**7,856**	571
1 to 2 years	**2,720**	412
Over 2 years	**1,236**	1,316
	51,627	60,688

Trade payables are non-interest-bearing and are normally settled within 180 days.

12. EVENTS AFTER THE REPORTING PERIOD

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

INDUSTRY OVERVIEW

Looking back on 2020, the world was affected by COVID-19, and all countries and even all trades and industries experienced unprecedented challenges. However, the active and scientific response to the outbreak by the governments at all levels and people in China, as well as different measures to stimulate the economy taken by the government in due course, made China the first country in the world to resume work and production, and the first country to maintain a stable economy in the world. The GDP of China increased by 2.9% as compared with the previous year, representing a slower growth rate, but China ranked first in the world in terms of GDP growth rate.

Driven by China's economy which was stable and moving in a positive direction and national policies to encourage natural gas exploration, development and import, the natural gas consumption in China increased steadily in 2020. Especially in the second half of the year, as the COVID-19 outbreak was well controlled, there was an increase in demand in the international industrial market, and a significant rise in the domestic and foreign demand for industrial production in China, with a sharp increase in the production orders, which promoted the economic recovery. Moreover, the rare occurrence of low temperature weather in winter during the year resulted in a strong demand for natural gas, leading to an increase in the year-on-year growth rate of natural gas sales volume in the fourth quarter of 2020. Therefore, industrial and commercial gas consumption gradually returned from negative growth at the beginning of 2020 to the level in 2019. The data of National Development and Reform Commission ("NDRC") show that in 2020, China's apparent consumption of natural gas reached 320 billion cubic meters, representing a year-on-year increase of 4.2%.

There is a profound adjustment of China's energy profile, in which promoting the green economy transition is one of the key development strategies. The gradual deepening of the natural gas reform reflects the unshakable resolution and efforts of China for the green economy transition. In May 2019, the Measures for the Supervision and Administration of Fair Opening of Oil and Gas Pipeline Network Facilities were officially published, which promoted the fair opening of oil and gas pipeline network facilities. The formal establishment of national pipeline network companies on 9 December is one of the most significant and fundamental reform measures in the natural gas system reform in recent years, and will give new impetus to the whole natural gas industry chain in China, and promote the resources supplied by many companies through multiple channels in the upstream and establishment of a pricing mechanism in the natural gas market. Urban gas companies will have diversified supplies of pipeline gas and natural gas resources at diversified prices.

INDUSTRY OVERVIEW (CONTINUED)

Moreover, in response to the decline in natural gas consumption, local governments successively introduced various policies to stabilize natural gas consumption and promote the stable and sound development of the natural gas industry of China, including the Catalogue of Pricing by the Central Government, the Implementation Opinions on Accelerating the Building of Natural Gas Reserve Capacity, the Opinions on Accelerating the Improvement of Socialist Market Economy in the New Era, and the Guiding Opinions on Energy Work in 2020 (the "Guiding Opinions"). Especially for the development of energy consumption in China, the National Energy Administration proposes the target of energy consumption of 2020 in the Guiding Opinions, so as to accelerate the achievement of cleaner and sustainable energy consumption (namely the proportion of coal consumption decreasing to approximately 57.5% in 2020). The Guiding Opinions specifies that efforts should be made to increase the natural gas production volume by 4% to 181 billion cubic meters through conventional and unconventional methods, including accelerating the construction of pipeline network and gas storage infrastructure, specifying the responsibilities of upstream gas supply enterprises and PipeChina for gas storage, speeding up the construction of key projects of gas storage facilities, and gradually promoting the performance of long-term agreements and spot purchase of LNG. Considering high dependence on imports for the total natural gas consumption, China needs to increase domestic production to satisfy the increasing demand of urban and industrial users and ensure the safety of national energy, from the perspective of long-term development.

With the continuous implementation of the "coal-to-gas" policy in China, the progress in the overall reform of the industry, the continuous coordination of all processes of the natural gas industry and the steady growth of macroeconomy of China, we believe that the natural gas market will usher in new growth opportunities.

Energy is driving force in economic development as well as a driver for social civilization and progress. When the macro economy is facing significant challenges of transformation and upgrade, the energy transition has become an important topic at the national strategy level. The natural gas, as the sole low-carbon and clean energy among fossil energies, is becoming an important driver for global energy transformation. In the World and China Energy Outlook 2050, it is predicted that China will experience a period of rapid growth in demand for natural gas by 2040, with the newly increased demands mainly from industry, resident, electricity and other sectors, and China will experience a period of steady growth in the natural gas demand from 2040 to 2050.

BUSINESS OVERVIEW

As at 31 December 2020, as the leading piped natural gas supplier and operator in Taicang City, Jiangsu Province, China, the Group had a natural gas pipeline network totaling 645 km covering all major regions in Taicang City and over 90% (in terms of length) of the natural gas pipeline network in Taicang City.

Taicang, as the county-level city closest to Shanghai, actively promoted the planned connection to Shanghai for the comprehensive integration into the Yangtze River Delta in 2020. During the period, efforts were made to extend Shanghai Jiamin Line northward, with the completion and opening of the Shanghai-Nantong Railway (Phase I) and the accelerated construction of the Shanghai-Nantong Railway (Phase II). Moreover, active efforts were made to maintain alignment with Shanghai industrial map and proactively integrate into Shanghai Hongqiao Central Business District for deepening the construction of the Jiading-Kunshan-Taicang collaborative innovation rim. This, along with the inclusion of Taicang Pilot Section of Suzhou-Wuxi-Changzhou Intercity Railway (Shanghai Jiamin Line northward to Taicang Section) in national major projects, the official opening of the road connecting Yuelu Road and Jiading Chengbei Road, the completion of the Jiading-Kunshan-Taicang Science and Technology Industrial Park, successful completion of the presentation for coordinated development of Shanghai and Taicang and other events, adds momentum to the economic development of Taicang. The data in the Government Work Report of Taicang City 2021 show that, in 2020, Taicang City recorded the gross regional product of RMB136 billion (estimated, similarly hereinafter), representing a year-on-year increase of 3.9%; the average annual growth of RMB136 billion in gross regional product; the gross regional product per capita exceeding RMB190,000; total investment of RMB46.859 billion in fixed assets; and ranked tenth among China's Top 100 Counties in terms of comprehensive economic competitiveness, and comprehensive strength. The general public budget revenue was RMB17.1 billion, representing an increase of 5.0%.

In addition, the Taicang Port is an important part of Shanghai International Shipping Center as designated by the state, the main container port, the transshipment hub for transport by river and sea, as well as the sole riverside natural harbour in Jiangsu. As at the end of 2020, Taicang Port ranked first in the province, ninth in China and 30th in the World's Top 100 Container Ports and became the No.1 foreign trade port along the Yangtze River, the port with the biggest number of foreign trade routes along the Yangtze River and the largest number of incoming and outgoing international navigation ships in the province. The favorable macroeconomic environment and great growth potential of Taicang City provides the Group with an excellent business environment and strong support for business development, which is conducive to the steady growth of the Group.

Cooperation with the world's leading natural gas enterprises in jointly developing LNG projects

In June 2020, the Group, through China Suchuang Energy Co., (Hong Kong) Ltd. ("Suchuang Energy"), a wholly-owned subsidiary of the Group, entered into a comprehensive strategic cooperation framework agreement with Bp (China) Holdings Limited ("BP"), in relation to the whole industry chain of natural gas and LNG, and gas-fired generation, pursuant to which, BP intends to cooperate with Suchuang Energy in jointly developing and constructing new LNG receiving terminal projects in China. The unique experience of BP in Guangdong Dapeng LNG Receiving Terminal and other international LNG receiving terminal projects will add special value to the cooperation with Suchuang Energy in terms of both construction and operation, and both parties wish to carry out strategic cooperation in the following areas: (i) long-term supply of spot LNG to Suchuang Energy or its associated companies in China; (ii) potential equity investment in LNG receiving terminal projects of Suchuang Energy or its associated companies in China; (iii) joint development of domestic LNG/natural gas market in China.

Looking for new gas sources to break through the limitation of gas source

On 27 July 2020, the Company entered into a cooperation framework agreement with CNOOC Gas & Power Group Limited ("CNOOC Gas & Power Group") for a term of five years from the date of the agreement, for the purpose of establishment of a cooperative relationship for the development of LNG businesses, construction of LNG receiving terminals, development and operation of LNG tank container businesses, and construction of LNG refueling stations for vehicles and vessels in Taicang Port.

The cooperation between the Group and CNOOC Gas & Power Group will create a synergy for both parties to seek further business cooperation in certain projects (including the development by the Company of LNG receiving terminals in Taicang Port and the construction and development by the Company of LNG refueling stations in Taicang City), which is in the interests of the long-term development of the Group and the interests of its shareholders as a whole. The cooperation may help break through the current limitation of natural gas supply, and increase the sources of natural gas supply to fill the long-term gap in the supply of natural gas in the market, as well as boosting the revenue and profit of the Company.

According to the national development strategy, clean energy including LNG will be the major energy for use in the future. The continuous increase in the demand for natural gas consumption, the significant seasonal differences in consumption, short-term shortage of gas storage facilities in China and other factors lead to the current failure of LNG receiving terminals in operation and under construction in China to fully satisfy and adapt to the growth of natural gas consumption, and the market demand. In order to ensure the steady supply of gas in Suzhou and the Yangtze River Delta region, accelerate the upgrade of industrial structure and capitalize on the natural advantages of Taicang Port and the increase in the objective demand for natural gas in the Yangtze River Delta, the Group intends to construct an LNG receiving terminal in Taicang Port.

ADJUSTMENT OF NATURAL GAS PRICE

The Group has been in good strategic relation with PetroChina Company Limited for more than 10 years, and put into operation the city gateway station which is connected with Sichuan-East Transmission Pipeline of Sinopec in November 2015, further ensuring sufficient gas-supply resources in areas where the Group carries out main businesses. The purchase price of natural gas of the Group is determined by NDRC according to the type of end users and gateway station prices. During the year, the Group's average unit purchase price for piped natural gas (exclusive of VAT) (which is calculated by dividing the total natural gas purchase cost by the total natural gas purchase volume for the relevant period) was RMB2.02/m^3. The maximum end-user price at which the Group could sell piped natural gas to the end-users is determined by the Taicang Price Bureau. The prices for industrial and commercial end-users are generally higher than those for residential users and other users. During the year, the Group's average unit selling price for piped natural gas (exclusive of VAT) was RMB2.60/m^3.

NATURAL GAS SALE AND TRANSMISSION BUSINESS

Taicang City, our main operating area, is a major industrial county-level city in Jiangsu Province, and is adjacent to affluent cities in Eastern China, such as Suzhou, Kunshan, Changshu and Shanghai, with remarkable geographic advantages available, creating the Shanghai-Taicang one-city effect together with Shanghai. The dynamic economic and industrial development has brought unceasingly increasing industrial and commercial users of natural gas to the Group. As of 31 December 2020, the Group had 627 commercial and industrial users, and approximately 260,500 residential users in Taicang, representing an increase of 32 commercial and industrial users and an increase of approximately 10,500 residential users as compared to those as at 31 December 2019. During the year, revenue generated from our sale and transmission of natural gas business was approximately RMB1,041.5 million, declining by 13.0% compared with 2019, accounting for 88.2% of the Group's total revenue. Such decrease was primarily due to a decrease in the volume of natural gas sold during the year.

As of 31 December 2020, the Group had a total of 5 CNG/LNG filling stations, including 3 stations in Guangyuan, Sichuan, 1 station in Taicang and 1 station in Suzhou. 2 LNG/CNG filling stations in Sichuan and Taicang are under preparation and will be completed by the end of 2021.

NATURAL GAS PIPELINE CONSTRUCTION AND CONNECTION BUSINESS

The Group's natural gas pipeline construction and connection business includes the construction and installation of urban gas pipeline networks, as well as the connection of the networks to the end-user pipelines for property developers and new industrial and commercial users. During the year, revenue generated from natural gas pipeline construction amounted to RMB120.3 million, representing an increase of 7.4% compared to RMB112.0 million for last year, which accounted for 10.2% of total revenue during the year. The main reason for the increase was that the projects completed in the year were mainly the projects for commercial users, which had higher profit margin than that for the pipeline projects for residential users.

DEVELOPING INTO A COMPREHENSIVE ENERGY AND ENVIRONMENTAL PROTECTION ENTERPRISE

According to the national development strategy, LNG, which is clean energy, will be the major energy for use in the future. According to the Three-year Action Plan for Green Port Construction of Taicang Port, efforts will be made to accelerate the optimization of the energy consumption structure of the port, construct LNG refueling facilities in and around the port area, or use LNG refueling vehicles to provide refueling services for standard transportation machinery in the port. In July 2020, the Group, through Taicang Natural Gas Company Limited ("Taicang Natural Gas"), a wholly-owned subsidiary of the Group, entered into the Strategic Cooperation Framework Agreement for Taicang Port LNG Energy Project with Taicang Port Group Co., Ltd. ("Port Group"). Both parties give full play to their respective advantages, make joint efforts to build a professional LNG functional segment in Taicang Port which is influential in the Yangtze River Delta region, and carry out comprehensive strategic cooperation in the development and operation of LNG container business, joint promotion of the construction of tank container yards, construction of LNG receiving terminals, refueling stations and floating refueling stations, etc.

FINANCIAL OVERVIEW

Revenue

Our total revenue decreased by 11.2% from RMB1,329.9 million in 2019 to RMB1,181.1 million in 2020. The decrease was mainly attributable to the decrease in revenue from sales and transmission of natural gas business as a result of the outbreak of the COVID-19 pandemic and the decrease in sales volume and selling price of natural gas during the year.

Gross profit

Our gross profit decreased by 15.6% from RMB248.5 million in 2019 to RMB209.7 million in 2020. The decrease was primarily due to a decrease in gross profit from sale and transmission of natural gas businesses. The decrease in the Group's gross profit margin from 18.7% to 17.8% was primarily due to the decrease in gross profit margin of sale and transmission of natural gas business as a result of slight decrease in average unit selling price of natural gas during the year.

Other income and gains

Other income and gains increased by 93.8% from RMB10.4 million in 2019 to RMB20.2 million in 2020. The increase was primarily due to the increase in interest income during the year.

Administrative expenses

Our administrative expenses increased by 5.0% from RMB82.2 million in 2019 to RMB86.3 million in 2020, which was mainly due to the increase in consulting service fee for business expansion during the year.

Finance costs

Our finance costs decreased by 9.1% from RMB12.3 million in 2019 to RMB11.2 million in 2020. The decrease was primarily due to the decrease in weighted average borrowing balances in 2020.

FINANCIAL OVERVIEW (CONTINUED)

Share of profits of associates

Our share of profits of associates decreased by 337.8% from a gain of RMB580,000 in 2019 to a loss of RMB1,380,000 in 2020. The significant decrease was mainly attributable to the decrease in revenue of natural gas heating business of one of our associated companies in 2020.

Income tax expense

Our income tax expense decreased by 9.7% from RMB48.9 million in 2019 to RMB44.1 million in 2020, primarily attributable to our decreased taxable income for the year in 2020. Our effective tax rate increased from 39.1% in 2019 to 44.8% in 2020.

Profit attributable to owners of the parent

In 2020, profit attributable to owners of the parent amounted to approximately RMB54.4 million, representing a decrease of approximately 22.4% from approximately RMB70.2 million for 2019.

Liquidity and financial resources

As at 31 December 2020, the Group had net current assets of approximately RMB466,212,000 (31 December 2019: RMB441,656,000) of which cash and cash equivalents were approximately RMB245,766,000 (31 December 2019: approximately RMB367,671,000). Total borrowings were approximately RMB310,050,000 (31 December 2019: approximately RMB348,078,000). The amount of bank borrowings as at 31 December 2020 were denominated in RMB and Hong Kong dollar, and bore interest ranging from 2.05% to 6.08% per annum. Except for RMB234,680,000 bank borrowings which are repayable within one year, the rest of balances are not repayable within one year.

As at 31 December 2020, the Group's current ratio (current assets/current liabilities) was 1.86 (31 December 2019: 1.86) and debt-to-equity ratio (net debt/equity) was approximately 4.13% (31 December 2019: The Group's balance of cash and cash equivalents exceeded the interest-bearing bank and other borrowings in 2019, as such, no debt-to-equity ratio was presented). The Group has sufficient cash and available banking facilities to meet its commitments and working capital requirements. This strong cash position enables the Group to explore potential investment and business development opportunities to expand its business in China.

Exchange rate fluctuation risk

As all of the Group's businesses are situated in the PRC, substantially all of its income and expenses are denominated in RMB. The exchange fluctuation during the year mainly arose from appreciation of RMB against the US dollar kept in Hong Kong, and such cash was generated from the fund raising activities of the Group in the past few years. The Group will closely monitor the interest rate and exchange rate of the market and make appropriate responses when necessary.

FINANCIAL OVERVIEW (CONTINUED)

Contingent liabilities

The Group did not have any significant contingent liabilities as at 31 December 2020 (31 December 2019: nil).

Charge on assets

At the end of the reporting period, certain of the Group's assets were pledged to secure banking facilities granted to the Group. The aggregate carrying amounts of the assets of the Group pledged at the end of each of the reporting periods are as follows:

	2020	2019
	RMB'000	*RMB'000*
Pledged deposits	**36,200**	64,450
Equity investments designated at fair value through profit or loss	**33,382**	–
	69,582	64,450

Capital commitments

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

	2020	2019
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Property, plant and equipment	**16,961**	22,367

FUTURE PROSPECTS

Affected by the COVID-19 outbreak, there was a decline followed by a rise in the energy industry in China last year. In particular, the growth in natural gas consumption in the first quarter turned negative for the first time in history. However, as the outbreak was gradually put under control, domestic production and the economy recovered quickly. The PRC government requires the accelerated fostering of a new development paradigm with "domestic circulation" as the mainstay, and therefore the increase in domestic demand becomes a driving force behind the steady upturn of the economy. The rapid industrial and commercial growth in China lay a strong foundation for the sustainable growth of energy consumption.

FUTURE PROSPECTS (CONTINUED)

During the 14th Five-Year Plan period, the central government will stay the course for environmental governance, and will continuously promote energy structure optimization and adjustment. The governance of industrial enterprises with high pollution and high energy consumption as well as the replacement of fire coal with clean energy will remain the focus of work, in which natural gas will play an important role. The NDRC pointed out in the Opinions on Accelerating the Utilization of Natural Gas that efforts will be made to increase the primary energy consumption proportion of natural gas to approximately 15% by 2030. According to the latest forecast of China Energy News (中國能源報), the proportion of coal consumption in China's energy consumption will drop rapidly, from 60% in 2018 to 35% in 2040, and the total reduction will be basically offset by the increase in the consumption of renewable energy and natural gas.

Under the policy for making efforts to develop natural gas as an alternative energy source in China, the natural gas industry ushers in a golden period of development. On the whole, the natural gas industry continues to develop continuously and steadily. The natural gas industry of China will develop in a positive direction in 2021.

Attracting new industrial customers, by new gas sources from LNG tank container businesses

The natural gas consumption population, the total supply and consumption of natural gas in cities in China increase continuously, with the promotion of clean energy under the national policy and the improvement in urbanization. However, the insufficient construction of gas reserve peak shaving facilities, the less connectivity of the pipeline network and the smaller scale of construction, as well as the larger growth rate of the downstream demand lead to the failure of existing LNG receiving terminals under operation and construction in China to fully meet and adapt to the natural gas consumption growth and market demand, and therefore a supply gap in the natural gas market is inevitable. The NDRC expected that the gap between natural gas supply and demand in China will reach approximately 175 billion m^3 by 2023.

Jiangsu Province, a natural gas consumption powerhouse, and where the Group is located, has vigorously implemented the "coal-to-gas" policy and the gas power generation policy. For example, in 2020, the apparent consumption of natural gas in Jiangsu Province for the year was 30.7 billion cubic meters, representing a year-on-year increase of 7.0%. In 2021, the natural gas consumption in Jiangsu Province is estimated to exceed the level in the previous year. The data of the Jiangsu Energy Regulatory Office of National Energy Administration show that in January 2021 alone, the consumption of natural gas as urban gas and industrial fuel was 1.66 billion cubic meters, representing a year-on-year increase of 28.7%; the consumption of natural gas for power generation was 0.7 billion cubic meters, representing a year-on-year increase of 5.6%. Taking Southern Suzhou and Shanghai, both of which are the main natural gas consumption regions in coastal areas, as examples, it is expected that by 2025, the natural gas consumption will reach 43.3 billion m^3. Since there is no natural gas resource in Jiangsu Province, the main gas sources are west-to-east gas transmission, Sichuan to Eastern China gas transmission, Hebei Nanjing Pipeline and surrounding LNG receiving terminals. In 2020, the comprehensive gas supply capacity is 25.8 billion m^3, while the demand in Jiangsu Province is 35 billion m^3, with a gap of 9.2 billion m^3 which needs to be filled up by other gas resources. It is expected that the gap will further increase to 11.4 billion m^3 by 2025.

FUTURE PROSPECTS (CONTINUED)

Attracting new industrial customers, by new gas sources from LNG tank container businesses (continued)

Considering the construction pace of natural gas supply infrastructure in and around Jiangsu Province being far lower than the growth rate of market demand, the Group will capitalize on the advantages of Taicang Port to construct LNG receiving and storage facilities, so as to acquire downstream users within the economic radius of 300 km which may be covered by the LNG tank container business. The Group has cooperated with large LNG trade distributors and engaged them to acquire downstream users. In the future, the Group can also supply gas directly to downstream users, so as to maintain and increase its share in the downstream market.

During the period, the Group sold 82.2 tons of LNG, representing an increase of 63.5 tons compared with the same period of last year, laying a foundation for the future tank container business of the Group. In order to push the current industry limit and ensure the steady supply of gas in Suzhou and the Yangtze River Delta region, it is necessary for the Group to further explore gas sources, expand the market and promote business diversification.

Exploration of gas resources

According to the National Bureau of Statistics, China's LNG output was 13.329 million tons in 2020, representing a steady year-on-year increase of 14.4%. In the past year, the oil and gas exploration and development were in good condition. The National Energy Administration pointed out that China continuously accelerated the construction of pipeline, gas storage, LNG receiving terminal and other main projects in the field of natural gas. The shipping expansion also becomes a key development project in regions along the Yangtze River.

In February 2021, in order to reflect the spirit of oil and gas system reform, Jiangsu Energy Regulatory Office and Jiangsu Development & Reform Commission formulated the Implementation Rules for Supervision of Fair Access to LNG Receiving Terminals in Jiangsu to promote the fair access to LNG receiving terminals in Jiangsu, ensure the stable supply of natural gas, and standardize and fairly allow relevant market behaviors, which will create a good environment for the development of the LNG industry. The Group believes that the national policy helped accelerate the construction of the natural gas system in the past year, which can support energy structure optimization in the future.

Taicang, where the Group is located, has the largest container port along the Yangtze River, and has business licenses for hazardous chemicals. The Group previously established a strategic relationship with Taicang Port Group to build relevant infrastructure facilities including LNG receiving terminals, LNG tank and container terminals, and storage yards in Taicang Port, so that the Group can purchase LNG through tanks and containers and supply LNG to users. The Group strove to obtain the LNG tank container terminal qualification during the year. The obtaining of the qualification by the Group will enable the Group to increase the sources of natural gas supply to fill the supply gap in the market. In addition, the Group has reached a cooperation agreement with CNOOC Gas & Power Group, a subsidiary of China National Offshore Oil Corporation Limited ("CNOOC"), to import natural gas through LNG ISO storage tanks of CNOOC in the Haikou LNG Terminal. At the beginning of 2021, the Group successfully obtained the qualification for using the oil and gas pipeline of China Oil & Gas Pipeline Network Corporation, and was allowed to directly use the pipeline transportation service for connection with upstream enterprises, thus ensuring the gas supply. If relevant business is carried out smoothly, the annual import of natural gas is expected to reach 2.2 billion cubic meters, thus breaking through the bottleneck of the limited supply of low-cost natural gas.

FUTURE PROSPECTS (CONTINUED)

Business Development

The official introduction of the Measures for Supervision and Administration of Fairness and Openness of Oil and Gas Pipeline Network Facilities (油氣管網設施公平開放監管辦法) in recent years and the official operation of PipeChina in October promote the fairness and openness of oil and gas pipeline network facilities, give new impetus to the natural gas industry chain of China, and help achieve the supply of upstream resources by multiple entities and channels and form a pricing mechanism for the natural gas market. This is conducive to improving the antitrust supervision and optimizing the oil and gas market structure, and provides the Group with the opportunity to solve the supply bottleneck, and helps expand its business to cover Jiangsu.

In addition, the Group is actively expanding the downstream market, while it has supplied natural gas to the end users in Taicang City and has conducted wholesale trade in Kunshan and Changshu. Considering that the Group has new low-cost natural gas sources, it can compete with the nearby LNG receiving terminals, by supplying natural gas to gas stations, factories and other piped natural gas businesses in other cities within an economic operation radius of 300 kilometers.

Meanwhile, the Group also plans to expand its LNG ISO storage tank business to other provinces, so as to expand its market presence. The LNG ISO storage tank business is only one of the strategies for expanding natural gas supply, while the target of the Group is to construct an LNG receiving terminal with an annual capacity of 8 billion cubic meters, so as to supply gas to power plants near Taicang and gas enterprises in surrounding cities. Therefore, on 27 July 2020, the Company entered into a cooperation framework agreement with CNOOC Gas & Power Group, for the purpose of establishment of a cooperative relationship for the development of LNG businesses, construction of LNG receiving terminals, development and operation of LNG tank container businesses, and construction of LNG refueling stations for vehicles and vessels in Taicang Port. After obtaining the approval of relevant authorities, the Group will immediately carry out relevant project construction with CNOOC.

Business Diversification

The Group also continuously invests in and explores other businesses. On 8 January 2020, the Group and Shanghai Fosun Tourism, a wholly-owned subsidiary of Fosun Tourism, entered into a non-binding strategic cooperation framework agreement to establish cooperative relationships in relation to, among others, the provision of clean energy for tourist destination projects of Fosun Tourism and its subsidiaries. The tourist destination project commenced in 2020, while at present, the Group mainly assists Shanghai Fosun Tourism in the installation of the natural gas pipelines for the project. Moreover, the Group previously signed a strategic cooperation framework agreement with Evergrande Group, pursuant to which the Group mainly assisted Evergrande Group in the installation of natural gas pipelines for the tourism project of Evergrande Group. The two businesses may provide stable and considerable revenue for the Group and contribute to the organic growth of the Group.

FUTURE PROSPECTS (CONTINUED)

Business Diversification (continued)

2021 is the first year of the "14th Five-Year Plan". Due to the great importance attached to the development of green energy, it was proposed at the Central Economic Work Conference that "effort should be made to peak carbon dioxide emissions before 2030 and achieve carbon neutrality before 2060". Specific plans have been implemented in provinces in China to accelerate green and low carbon development. Despite the impact of the COVID-19 outbreak on the macro economy of China, the overall economy takes a turn for the better continuously. It is believed that with great support from favorable national policies, the natural gas industry of China will usher in a better development period. Under the leadership of the Chairman, Suchuang Gas will vertically integrate its business and expand its access to the international market by capitalizing on the opportunities arising from the oil and gas mechanism reform and the economic development of the Yangtze River Delta region. It will actively extend the industrial chain, and strive to realize upstream and downstream integration in the long-term planning, and accelerate the development pace of comprehensive energy and environmental protection enterprises.

HUMAN RESOURCES AND EMPLOYEES' REMUNERATION

As at 31 December 2020, the Group employed a total of 415 (31 December 2019: 404) staff members in Mainland China, Hong Kong and the United States.

During the year under review, the total cost of employees amounted to approximately RMB55.8 million. The Group sought to further strengthen staff training by offering focused training programmes and study tours to management and professional technical personnel, and disseminating the latest information of government policy on the distribution and sale of piped natural gas business to its staff. The Group continued to strive for the enhancement of professional standards and overall qualities of its staff. The Group also provided competitive salary packages to its staff, encouraging them to be fully dedicated to their work and to leverage their capabilities in serving customers.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

During the year under review, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of its securities.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance in the interests of its shareholders. To the knowledge of the Board, the Company has complied with all code provisions of the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") for the year ended 31 December 2020.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

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 Listing Rules as the code of conduct regarding securities transactions of the Directors. Having made specific enquiry of all Directors, all of them have confirmed that they have complied with the required standard as set out in the Model Code for the year ended 31 December 2020.

AUDIT COMMITTEE

The Company has established an Audit Committee. Its primary duties include, among other things, the review and supervision of the Group's financial reporting process and internal control system. The Audit Committee comprises all three independent non-executive Directors, namely Mr. Feng Yijing, Mr. Zhou Qingzu and Mr. Zhu Tong and one non-executive Director, namely Mr. Xu Lei as at the date of this announcement.

The Audit Committee has met and discussed with the external auditors of the Company, Ernst & Young, and has reviewed the accounting principles and practices adopted by the Group and the audited consolidated results of the Group for the year ended 31 December 2020. The Audit Committee has reviewed and considered that the consolidated results of the Group for the year ended 31 December 2020 are in compliance with the relevant accounting standards, rules and regulations and that appropriate disclosures have been duly made in accordance with Appendix 16 to the Listing Rules in this announcement.

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2020 as set out in this announcement have been agreed by the Company's auditor, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by the Company's auditor 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 Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditor on this announcement.

PROPOSED FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has resolved to recommend the payment of a final dividend of RMB0.022 (equivalent to HK$0.026) per ordinary share for shareholders whose names appear on the Register of Members of the Company on Thursday, 10 June 2021. The Register of Members will be closed from Tuesday, 8 June 2021 to Thursday, 10 June 2021, both days inclusive, and the proposed final dividend is expected to be paid on Thursday, 24 June 2021. The payment of dividends shall be subject to the approval of the shareholders at the forthcoming annual general meeting of the Company to be held on Friday, 28 May 2021. In order to be qualified for the proposed dividend, unregistered shareholders should deliver share certificates together with transfer documents to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:30 p.m. on Monday, 7 June 2021.

The Register of Members of the Company will be closed from Tuesday, 25 May 2021 to Friday, 28 May 2021, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend and vote at the forthcoming annual general meeting of the Company to be held on Friday, 28 May 2020. All transfers of Shares accompanied by the relevant Share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:30 p.m. on Monday, 24 May 2021.

USE OF PROCEEDS

The Company's shares has been listed on the Main Board of the Stock Exchange since 11 March 2015. Net proceeds from the global offering (the "Global Offering") received by the Company were approximately RMB347.5 million after deducting the underwriting commission and relevant expenses. The net proceeds have been applied for the purpose in accordance with the future plans and use of proceeds as set out in the Company's prospectus dated 27 February 2015 (the "Prospectus"). As at 31 December 2020, the unutilised proceeds were deposited in licensed banks in Hong Kong and Mainland China.

		As at 31 December 2020		
Purpose	**Percentage of total amount**	**Net proceeds** *RMB'million*	**Utilised amount** *RMB'million*	**Unutilised amount** *RMB'million*
Acquiring and constructing CNG and LNG refuelling stations for the sale of CNG/LNG for vehicular use	25%	86.9	71.7	15.2
Expanding our pipeline network and sale of piped natural gas to customers in our existing market	35%	121.6	121.6	–
Acquiring controlling interests in natural gas operators outside Taicang	30%	104.2	104.2	–
Working capital and other general corporate purposes	10%	34.8	34.8	–
Total		347.5	332.3	15.2

USE OF PROCEEDS (CONTINUED)

In relation to the unutilised net proceeds raised from the Global Offering in an amount of approximately RMB15.2 million (the "**Unutilised Proceeds**") as at 31 December 2020, the Company intends to utilise all of the Unutilised Proceeds for acquiring and constructing CNG and LNG refuelling stations for the sale of CNG/LNG for vehicular use. The Company originally intended to apply the Unutilised Proceeds to acquire the CNG and LNG refuelling station business operated by Suzhou Suling Automobile Service Co., Ltd. (蘇州蘇菱汽車服務有限公司), details of which are set out in the Prospectus. The relevant permits or approvals have not been granted for the target business as a whole. The Company currently intends to apply the Unutilised Proceeds as follows by the end of 2021:

(i) approximately RMB6.0 million will be used to construct a LNG refuelling station in Guangyuan, Sichuan Province, the PRC; and

(ii) approximately RMB9.2 million will be used to construct a LNG refuelling station at Taicang Port, a port located in Taicang City, Jiangsu Province, the PRC.

Save for the aforesaid changes, there is no other change in the use of proceeds from the Global Offering.

PUBLICATION OF ANNUAL REPORT ON THE STOCK EXCHANGE OF HONG KONG LIMITED'S WEBSITE

This annual results announcement is published on the websites of the Stock Exchange (**www.hkexnews.hk**) and the Company (**www.suchuanggas.com**), and the 2020 Annual Report containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in April 2021.

APPRECIATION

On behalf of the Board, I would like to thank all our colleagues for their diligence, dedication, loyalty and integrity. I would also like to thank all our shareholders, customers, bankers and other business associates for their trust and support.

By order of the Board
Suchuang Gas Corporation Limited
Su Yi
Chairman

Taicang City, Suzhou, Jiangsu Province, PRC, 31 March 2021

As at the date of this announcement, the Company's executive Directors are Ms. Su Yi, Ms. Su Wen, Mr. Du Shaozhou and Mr. Li Jianyi; the non-executive Directors are Mr. Xu Lei and Mr. Jin Bo; and the independent non-executive Directors are Mr. Zhou Qingzu, Mr. Zhu Tong and Mr. Feng Yijing.