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天津津燃公用事業股份有限公司

TIANJIN JINRAN PUBLIC UTILITIES COMPANY LIMITED

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

(Stock Code: 01265)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2014**

HIGHLIGHTS

- Revenue of approximately RMB682,099,000 for the six months ended 30 June 2014.
- Gross profit of approximately RMB38,126,000 for the six months ended 30 June 2014.
- Net profit of approximately RMB34,278,000 for the six months ended 30 June 2014.
- The Board does not propose an interim dividend for the six months ended 30 June 2014.

RESULTS

The board of directors (the “Board”) of Tianjin Jinran Public Utilities Company Limited (the “Company”) is pleased to present the unaudited results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2014 together with the unaudited comparative figures for the six months ended 30 June 2013 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

		Six months ended	
		30 June 2014	30 June 2013
	NOTES	RMB'000 (unaudited)	RMB'000 (unaudited)
Continuing operations			
Revenue	3	682,099	790,593
Cost of sales		(643,973)	(706,944)
Gross profit		38,126	83,649
Other income	4	3,561	6,842
Other gains and losses	5	13,237	4,780
Selling expenses		(24)	(22)
Administrative expenses		(11,194)	(12,045)
Share of profit of associates		3,870	3,583
Profit before tax	6	47,576	86,787
Income tax expense	7	(11,137)	(21,535)
Profit for the period from continuing operations, all attributable to owners of the Company		36,439	65,252
Discontinued operations			
Loss for the period from discontinued operations	8	(2,161)	(2,143)
Profit and total comprehensive income for the period		34,278	63,109
Profit (loss) and total comprehensive income (expenses) for the period attributable to:			
Owners of the Company		34,948	63,738
Non-controlling interests		(670)	(629)
		34,278	63,109
Earnings per share			
From continuing and discontinued operations – basic (RMB cents)	10	1.90	3.47
From continuing operations – basic (RMB cents)	10	1.98	3.55

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

		30 June 2014 <i>RMB'000</i> (unaudited)	31 December 2013 <i>RMB'000</i> (audited)
	NOTES		
Non-current assets			
Property, plant and equipment	11	290,510	301,095
Prepaid lease payments	12	12,233	12,393
Intangible assets	13	626,209	660,098
Interests in associates		34,832	30,962
Prepayment		–	58
Deferred tax assets		2,165	816
		<u>965,949</u>	<u>1,005,422</u>
Current assets			
Inventories		4,714	5,955
Trade receivables	14	200,899	277,181
Prepayments and other receivables	14	10,575	21,592
Amount due from a shareholder	15	–	13,933
Amount due from related parties	15	31,053	37,136
Other financial assets	16	537,830	253,073
Bank balances and cash		173,434	287,136
		<u>958,505</u>	<u>896,006</u>
Disposal groups classified as held for sales	8	<u>11,885</u>	<u>–</u>
		<u>970,390</u>	<u>896,006</u>
Current liabilities			
Trade and other payables	17	197,627	214,941
Dividend payable		15,945	30,546
Income tax payable		8,930	4,835
Amounts due to related parties	15	95,060	76,162
		<u>317,562</u>	<u>326,484</u>
Liabilities of disposal groups classified as held for sales	8	<u>3,068</u>	<u>–</u>
		<u>320,630</u>	<u>326,484</u>
Net current assets		<u>649,760</u>	<u>569,522</u>
Total assets less current liabilities		<u><u>1,615,709</u></u>	<u><u>1,574,944</u></u>

		30 June 2014	31 December 2013
	<i>NOTES</i>	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (audited)
Non-current liabilities			
Deferred revenue	18	<u>10,650</u>	<u>4,163</u>
		<u>10,650</u>	<u>4,163</u>
Net assets		<u>1,605,059</u>	<u>1,570,781</u>
Capital and reserves			
Share capital	19	183,931	183,931
Share premium and reserves		<u>1,421,768</u>	<u>1,386,820</u>
Equity attributable to owners of the Company		1,605,699	1,570,751
Non-controlling interests		<u>(640)</u>	<u>30</u>
Total Equity		<u>1,605,059</u>	<u>1,570,781</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Attributable to owners of the Company						Non-controlling interest	Total
	Share capital	Share premium	Statutory surplus reserve	Enterprise expansion fund	Accumulated profits	Total		
	RMB'000	RMB'000	RMB'000 (note i)	RMB'000 (note i)	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2012 (audited)	183,931	788,703	46,378	17,771	478,972	1,515,755	3,676	1,519,431
Profit and total comprehensive income for the period	-	-	-	-	63,738	63,738	(629)	63,109
Dividends recognised as distribution (note 9)	-	-	-	-	(29,429)	(29,429)	-	(29,429)
Appropriation (note i)	-	-	12,093	6,046	(18,139)	-	-	-
At 30 June 2013 (unaudited)	183,931	788,703	58,471	23,817	495,142	1,550,064	3,047	1,553,111
Profit and total comprehensive income for the period	-	-	-	-	20,687	20,687	(3,017)	17,670
At 31 December 2013	183,931	788,703	58,471	23,817	515,829	1,570,751	30	1,570,781
Profit and total comprehensive income for the period	-	-	-	-	34,948	34,948	(670)	34,278
Appropriation (note i)	-	-	8,187	4,094	(12,281)	-	-	-
At 30 June 2014	183,931	788,703	66,658	27,911	538,496	1,605,699	(640)	1,605,059

Notes:

(i) Appropriation of reserves

As a foreign invested joint stock company, the transfers to statutory surplus reserve fund is based on the profit after tax stated in the financial statements prepared under the PRC accounting standards at the discretion of the board of directors.

As stipulated by the relevant laws and regulations for foreign investment enterprises in the PRC, the PRC subsidiaries are required to maintain a non-distributable enterprise expansion fund. Appropriations to such reserve are made out of net profit after tax annually of the PRC subsidiaries at the discretion of its board of directors. The enterprise expansion fund is used for expanding the capital base of the PRC companies by means of capitalisation issue.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014	2013
NOTE	RMB'000	RMB'000
	(unaudited)	(unaudited)
Operating activities		
Net cash from operating activities	155,724	35,501
Investing activities		
Payment for property, plant and equipment	(1,459)	(9,834)
Payment for construction of infrastructure for service concession arrangement	(253)	(4,663)
Payment for other intangible assets	(111)	–
Proceeds from disposal of property, plant and equipment	1	2
Acquisition of financial assets at fair value through profit or loss (“FVTPL”)	(3,605,500)	(1,475,200)
Proceeds from redemption of financial assets at FVTPL	3,331,873	1,280,750
Interest received	186	279
Government grant received	7,400	–
Net cash used in investing activities	(267,863)	(208,666)
Cash used in financing activity		
Dividend paid	(668)	(801)
Net decrease in cash and cash equivalents	(112,807)	(173,966)
Cash and cash equivalents at 1 January	287,136	372,411
Cash and cash equivalents at 30 June, represented by bank balances and cash	174,329	198,445
Attributable to:		
Continuing operations	173,434	197,899
Disposal groups classified as held for sales	895	546
	174,329	198,445

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”) Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2013.

In the current interim period, the Group has applied, for the first time, the following new interpretations and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by HKICPA that are relevant, among others, for the preparation of Group’s condensed consolidated financial statements, and the application of which has had no material effect on the amounts reported and/or disclosures set out in these consolidated financial statements:

Amendments to HKFRS 10,
HKFRS 12 and HKAS 27

Amendments to HKAS 32

Amendments to HKAS 36

HK(IFRIC) - Int 21

Investment Entities

Offsetting Financial Assets and Financial Liabilities

Recoverable Amount Disclosures for Non-Financial Assets

Levies

3. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by operating segments for the periods under review:

Six-months ended 30 June 2014

Continuing operations:

	Sales of piped gas <i>RMB'000</i>	Gas connection <i>RMB'000</i>	Gas transportation <i>RMB'000</i>	Sales of gas appliances <i>RMB'000</i>	Segment total <i>RMB'000</i>
Segment revenue from external customers	<u>617,227</u>	<u>56,342</u>	<u>4,593</u>	<u>3,684</u>	<u>681,846</u>
Segment profit	<u>6,716</u>	<u>29,246</u>	<u>1,291</u>	<u>850</u>	<u>38,103</u>

Reconciliation of revenue

	<i>RMB'000</i>
Total segments revenue	681,846
Revenue from construction of gas pipeline infrastructure	<u>253</u>
Revenue	<u>682,099</u>

Reconciliation of segment profit

	<i>RMB'000</i>
Total segment profit	38,103
Profit from construction of gas pipeline infrastructure	23
Share of profit of associates	3,870
Other income	3,561
Other gains and losses	13,237
Corporate expenses	<u>(11,218)</u>
Profit before tax	<u>47,576</u>

Continuing operations:

	Sales of piped gas <i>RMB'000</i>	Gas connection <i>RMB'000</i>	Gas transportation <i>RMB'000</i>	Sales of gas appliances <i>RMB'000</i>	Segment total <i>RMB'000</i>
Segment revenue from external customers	<u>697,305</u>	<u>83,455</u>	<u>4,610</u>	<u>560</u>	<u>785,930</u>
Segment profit	<u>26,967</u>	<u>54,479</u>	<u>1,313</u>	<u>466</u>	<u>83,225</u>

Reconciliation of revenue

RMB'000

Total segments revenue	785,930
Revenue from construction of gas pipeline infrastructure	<u>4,663</u>
Revenue	<u><u>790,593</u></u>

Reconciliation of segment profit

RMB'000

Total segment profit	83,225
Profit from construction of gas pipeline infrastructure	424
Share of profit of associates	3,583
Other income	6,842
Other gains and losses	4,780
Corporate expenses	<u>(12,067)</u>
Profit before tax	<u><u>86,787</u></u>

4. OTHER INCOME

Six months ended 30 June

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Value added tax and business tax refund	3,375	6,568
Bank interest income	<u>186</u>	<u>274</u>
	<u><u>3,561</u></u>	<u><u>6,842</u></u>

5. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Gain on fair value change of financial assets at FVTPL, including interest earned	10,500	3,555
Unrealised gain on fair value change of financial assets at FVTPL	630	489
Reversal of impairment for doubtful debts recovered	1,746	619
Government grant	365	—
Net gains on fair value change of held for trading investments	—	211
Loss on disposal of property, plant and equipment	(4)	(94)
	<u>13,237</u>	<u>4,780</u>

6. PROFIT BEFORE TAX

	Six months ended 30 June	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before tax for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	6,603	6,569
Amortisation of intangible assets (included in cost of sales)	27,238	27,977
	<u>33,841</u>	<u>34,546</u>
Total depreciation and amortisation		
Cost of gas purchased	536,367	595,978
Amortisation of prepaid lease payments (included in administrative expenses)	160	139
Operating lease rentals in respect of rented premises	584	584
	<u>537,111</u>	<u>596,701</u>

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax	12,486	21,304
Deferred tax	(1,349)	231
	<u>11,137</u>	<u>21,535</u>

The Company and subsidiaries are subject to the PRC Enterprise Income Tax of 25% for six months ended 30 June 2014 (six months ended 30 June 2013: 25%).

No provision for Hong Kong profits tax has been made as the Group's income neither arises in nor is derived from Hong Kong.

8. DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

During the current interim period, following a strategic decision to place greater focus on the Group's key competencies in gas related industries, the Board resolved a plan to dispose business in mining and trading of lead and zinc. The Company has started negotiations with several interested parties to dispose its 88% equity interest in 貴州津維礦業投資有限公司 ("貴州津維"). 貴州津維 owned 70% equity interest in 貴州省台江縣國新鉛鋅選礦有限責任公司 ("貴州國新") which owns a mining right of a lead-zinc mine located in Taijiang County, Guizhou Province. Both 貴州津維 and 貴州國新 are engaged in the mining and trading of lead and zinc operation. The directors expect to obtain shareholders' approval (if required) and complete the disposal within twelve months from the end of current interim reporting period, on which date the Group will lose control of 貴州津維 and 貴州國新.

As a result, the Group's mineral operation are presented as discontinued operations in the condensed consolidated statement of profit or loss and other comprehensive income separately from continuing operations, with the comparative figures restated. As at 30 June 2014, the assets and liabilities attributable to the operations have been classified as a disposal group held-for-sales and are separately presented in the condensed consolidated statement of financial position.

No impairment loss was recognised on reclassification of the related net assets as disposal group held-for-sale as the directors expect that the fair value, estimated based on the recent market prices of similar mineral operation, less costs to disposal is higher than the carrying amount.

The loss for the periods from the discontinued operations is analysed as follow

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Revenue	600	–
Cost of sales	(638)	(1,640)
Gross loss	(38)	(1,640)
Other gains and losses	(613)	–
Administrative expenses	(1,510)	(503)
Loss before tax	(2,161)	(2,143)
Income tax expense	–	–
Loss for the period from discontinued operation	(2,161)	(2,143)
Attributable to:		
Owners of the Company	(1,491)	(1,514)
Non-controlling interests	(670)	(629)
	(2,161)	(2,143)

The assets and liabilities associated with disposal groups classified as held for sale are analysed as follows:

	30 June 2014 RMB'000
Property, plant and equipment	4,991
Intangible assets	5,637
Inventories	5
Prepayments and other receivables	357
Bank balances and cash	<u>895</u>
Total assets classified as held for sales	<u>11,885</u>
Trade and other payables	<u>3,068</u>
Total liabilities associated with disposal groups classified as held for sale	<u>3,068</u>
Net assets of disposal groups classified as held for sale	<u>8,817</u>

Cash flows for the periods from the discontinued operations were as follows:

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Net cash inflows from operating activities	398	338
Net cash outflows used in investing activities	<u>—</u>	<u>(311)</u>
Net cash flows	<u>398</u>	<u>27</u>

9. DIVIDEND

During the current interim period, no final dividend in respect of the year ended 31 December 2013 (six months ended 30 June 2013: RMB0.016 per share in respect of the year ended 31 December 2012 aggregating RMB29,429,000) was declared.

10. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to the owners of the Company is based on the following data:

From continuing and discontinued operations

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Earnings		
Earnings for the purpose of basic earnings per share		
Profit for the period attributable to owners of the Company	<u>34,948</u>	<u>63,738</u>
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share ('000)	<u>1,839,308</u>	<u>1,839,308</u>

From continuing operations

Earnings		
Profit for the period attributable to the owners of the Company	34,948	63,738
Less: loss for the period from discontinued operations	<u>(1,491)</u>	<u>(1,514)</u>
Earnings for the purpose of calculating basic earnings per share from continuing operations	<u>36,439</u>	<u>65,252</u>
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share ('000)	<u>1,839,308</u>	<u>1,839,308</u>

No diluted earnings per share have been presented as the Company had no potential ordinary shares outstanding during both periods.

11. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group purchased property, plant and equipment of approximately RMB1,459,000 (six months ended 30 June 2013: RMB2,406,000). During the same period, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of approximately RMB5,000 (six months ended 30 June 2013: RMB96,000) to third parties, resulting in a loss on disposal of approximately RMB4,000 (six months ended 30 June 2013: RMB94,000).

12. PREPAID LEASE PAYMENTS

	30 June 2014 <i>RMB'000</i>	31 December 2013 <i>RMB'000</i>
Leasehold land outside Hong Kong:		
Medium-term lease	<u>12,535</u>	<u>12,695</u>
Analysed for reporting purpose as:		
Current portion (included in prepayments and other receivables)	302	302
Non-current portion	<u>12,233</u>	<u>12,393</u>
	<u>12,535</u>	<u>12,695</u>

Prepaid lease payments is amortised over 40 to 50 years on a straight-line basis in accordance with the remaining lease term.

13. INTANGIBLE ASSETS

The intangible assets represent the right for distribution of gas in certain districts in the PRC.

14. TRADE RECEIVABLES/PREPAYMENT AND OTHER RECEIVABLES

	30 June 2014 <i>RMB'000</i>	31 December 2013 <i>RMB'000</i>
Trade receivables	94,213	121,782
Note receivables	110,769	161,228
Less: Impairment loss recognised	<u>(4,083)</u>	<u>(5,829)</u>
Trade receivables, net	<u>200,899</u>	<u>277,181</u>
Other receivables	8,633	19,057
Less: Impairment loss recognised	<u>(2,285)</u>	<u>(2,285)</u>
	6,348	16,772
Prepayment	<u>4,227</u>	<u>4,820</u>
Prepayment and other receivables, net	<u>10,575</u>	<u>21,592</u>

The Group has a policy of allowing an average credit period of 90 days to its customers, and up to 180 days for certain customers with long-established relationship and good repayment histories. Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. The directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable based on past experience.

The aged analysis of trade and note receivables net of allowance presented based on the date of delivery of goods or the billing date which approximate to revenue recognition date are as follows:

	30 June 2014 RMB'000	31 December 2013 RMB'000
0-90 days	110,419	173,501
91-180 days	63,804	66,426
181-270 days	3,743	16,296
271-365 days	1,268	1,700
Over 365 days	21,665	19,258
	200,899	277,181

15. AMOUNTS DUE FROM (TO) A SHAREHOLDER/RELATED PARTIES

- (a) The amounts due from/to the shareholder are all trade in nature, unsecured and non-interest bearing. The credit period is 90 days. Details of the balances are set out in note 22.
- (b) The amounts due from related parties and an aged analysis of such balances net of impairment for doubtful debts presented based on the billing date at the end of the reporting periods, which approximated the revenue recognition dates are as follows:

	30 June 2014 RMB'000	31 December 2013 RMB'000
0-90 days	19,322	31,065
91-180 days	2,806	2,664
181-270 days	2,997	3,407
271-365 days	2,664	—
Over 365 days	3,264	—
	31,053	37,136

- (c) The amounts due to related parties and an aged analysis of such balances presented based on the invoice date at the end of the reporting periods are as follows:

	30 June 2014	31 December 2013
0-90 days	(94,342)	(74,316)
181-270 days	(718)	(1,846)
	<u>(95,060)</u>	<u>(76,162)</u>

16. OTHER FINANCIAL ASSETS

The balances represent the investments in the wealth management products (the “WMP”) and government bond repurchase (the “GBR”) amounting to RMB460,630,000 and RMB77,200,000, respectively, both of which were issued by licensed financial institutions with guaranteed return of principal and not redeemable before maturity date. The expected annual return rates of WMP are from 4.2% to 5.2% per annum and investment period are all within 90 days. The expected annual return rate of GBR are ranged from 6.5% to 14% per annum and investment period are all within 7 days. The financial assets have been designated as financial assets at FVTPL on initial recognition.

The Group’s WMPs of RMB360,488,000 and GBRs of RMB77,200,000 were redeemed subsequent to the end of the reporting period.

17. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables with an aged analysis based on invoice date as follows:

	30 June 2014 RMB'000	31 December 2013 RMB'000
0-90 days	15,161	16,447
181-270 days	11,950	10,207
271-365 days	–	220
Over 365 days	7,842	1,797
	<u>34,953</u>	<u>28,671</u>
Advance from customers	150,342	144,182
Value-added tax and other tax payables	5,003	25,138
Accrued staff costs and pension	4,152	13,396
Accrued expense	1,766	2,694
Others	1,411	860
	<u>162,674</u>	<u>186,270</u>
	<u>197,627</u>	<u>214,941</u>

18. DEFERRED INCOME

	Arising from Government grants RMB'000
At 1 January 2014	4,344
Addition	7,400
Released to income	(365)
	<u>11,379</u>
At 30 June 2014	<u>11,379</u>

	30 June 2014 RMB'000	31 December 2013 RMB'000
Analysed as:		
Current portion (included in trade and other payables)	729	181
Non-current portion	<u>10,650</u>	<u>4,163</u>
	<u>11,379</u>	<u>4,344</u>

Deferred income represents government subsidy granted to the Company for the construction of pipelines, which was included in the consolidated statement of financial position as deferred income and credited to the profit or losses on a systematic basis over the useful lives of the related assets.

19. SHARE CAPITAL

	Number of shares		Registered, issued and fully paid share Capital
	Domestic Shares	H Shares	RMB'000
Shares of RMB0.1 each			
As at 1 January 2013, 30 June 2013, 1 January 2014 and 30 June 2014	<u>1,339,247,800</u>	<u>500,060,000</u>	<u>183,931</u>

20. CAPITAL COMMITMENTS

At the end of the reporting date, the Group has the following commitments:

	30 June 2014 RMB'000	31 December 2013 RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	128	230

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

During the reporting periods, the Group has financial assets measured at fair value using hierarchy as follow:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets classified as financial assets at FVTPL	Fair value as at		Fair value hierarchy	Valuation technique and key inputs	Relationship of unobservable inputs to fair value
	30 June 2014	31 December 2013			
WMP	RMB460,630,000	RMB253,073,000	Level 2	Discounted cash flow, future cash flows are estimated based on expected annual return rates.	The higher the expected annual return rates, the higher the fair value.
GBR	RMB77,200,000	Nil	Level 2	Discounted cash flow, future cash flows are estimated based on expected annual return rates.	The higher the expected annual return rates, the higher the fair value.

Note: The directors consider that the impact of the fluctuation in expected annual return rates to the fair value of the WMP and GBR were insignificant as they have short maturities, and therefore no sensitivity analysis is presented.

The directors of the Company consider that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair value.

22. RELATED PARTY TRANSACTIONS/BALANCES

(a) During the periods, the following related party transactions took place:

Name of related party	Relationship	Nature of transactions	Six months ended 30 June	
			2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Tianjin Gas	Holding company	Purchase of gas	–	325,732
		Gas transportation income	–	1,670
		Rental expense	–	467
津燃華潤燃氣有限公司	Joint venture of the holding company	Purchase of gas	530,722	265,801
		Gas transportation income	4,593	2,940
天津市燃氣熱力規劃設計院	Fellow subsidiary	Construction design fee	1,233	1,751
天津泰華燃氣有限公司	Fellow subsidiary	Sales of gas	99,656	81,011
天津中油燃氣車用燃料技術有限公司	Associate of the holding company	Sales of gas	–	17,566
濱海中油燃氣有限責任公司	Fellow subsidiary	Sales of gas	–	67
天津市液化氣工程有限公司	Fellow subsidiary	Construction cost	39	907
天津市聯益燃氣配套工程有限責任公司	Fellow subsidiary	Construction cost	65	100
天津市津燃物業管理有限公司	Fellow subsidiary	Rental expense	467	–
		Property management fee	235	242

(b) Details of amount due from a shareholder are as follows:

Name of related party	Relationship	Nature of balances	30 June 2014 RMB'000	31 December 2013 RMB'000
Tianjin Gas	Holding company	Amount due from a shareholder	–	13,933

(c) Details of amount due from related parties are as follows:

Name of related party	Relationship	30 June 2014 RMB'000	31 December 2013 RMB'000
天津泰華燃氣有限公司	Fellow subsidiary	16,808	27,888
津燃華潤燃氣有限公司	Joint venture of the holding company	14,024	8,926
天津市燃氣熱力規劃設計院	Fellow subsidiary	221	322
		31,053	37,136

(d) Details of amount due to related parties are as follows:

Name of related party	Relationship	30 June 2014 RMB'000	31 December 2013 RMB'000
津燃華潤燃氣有限公司	Joint venture of the holding company	89,544	68,763
天津市裕民燃氣表具有限公司	Subsidiary of the holding company	2,176	3,434
天津市燃氣熱力規劃設計院	Subsidiary of the holding company	1,269	527
天津市液化氣工程 有限公司	Subsidiary of the holding company	1,233	2,104
天津市津燃物業管理有限公司	Subsidiary of the holding company	467	–
天津市聯益燃氣配套工程有限 責任公司	Subsidiary of the holding company	334	1,261
濱海中油燃氣有限責任公司	Subsidiary of the holding company	37	55
天津市聯寅燃氣通信技術有限 責任公司	Subsidiary of the holding company	–	18
		95,060	76,162

Other PRC government-related entities

The Group operates in an economic environment currently predominated by entities directly or indirectly owned or controlled, jointly controlled or significant influenced by the Chinese Mainland government (“government-related entities”). Apart from the transactions with the holding company and its fellow subsidiaries, joint venture of the holding company which have been disclosed in other notes to the condensed consolidated financial statements, the Group also conducts business with other government-related entities in the ordinary course of business. The directors of the Company consider those government-related entities are independent third parties so far as the Group’s business transactions with them are concerned.

The Group provides gas connection services and sales of piped gas and gas appliance to certain companies which are government-related entities. In addition, the Group has entered into various banking transactions, including deposits placements with government-related entities. The Group has also entered into various transactions, including other operating expenses with other government-related entities which individually and collectively were insignificant during the reporting periods.

(e) Compensation of key management personnel

The remuneration of directors and other members of key management during the period were as follows:

	Six months ended 30 June	
	2014	2013
	<i>RMB’000</i>	<i>RMB’000</i>
Short-term benefit	645	919
Post-employment benefit	24	14
	669	933

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 June 2014, in order to maintain the sustainable development of the Group, the Board and the management have started with the enhancement of the internal control and took the initiative to optimize its management in business development, daily operations and compliance matters.

FINANCIAL REVIEW

For the six months ended 30 June 2014 (the “Period”), the Group reported a revenue of approximately RMB682,099,000, representing a decrease of approximately 13.72% as compared with the corresponding period of last year. The gross profit margin decreased from approximately 10.58% for the six months ended 30 June 2013 to approximately 5.59% for the six months ended 30 June 2014. The profit for the Period and total comprehensive income for the period attributable to owners of the Company for the six months ended 30 June 2014 amounted to approximately RMB34,278,000 (the six months ended 30 June 2013: approximately RMB63,109,000) representing a decrease of approximately 45.68%.

The decline in financial performance of the Group is mainly attributable to the following factors:

1. the gas connection income has decreased due to the relatively sluggish property market in Tianjin, resulting in a decrease in demand of piped gas connection services from the Group; and
2. the decrease in demand for piped gas from a major customer of the Group due to the upward price adjustment of natural gas effective from July 2013 as directed by the Tianjin municipal price bureau.

SEGMENTAL INFORMATION ANALYSIS

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

Liquidity, Financial Resources and Capital Structure

The Group is generally funded by equity financing. As at 30 June 2014, the Group did not have any bank borrowing.

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

The Group’s asset liability ratio (total liabilities to total asset rate) as at 30 June 2014 was approximately 17%.

Contingent Liabilities

As at 30 June 2014, the Group had no material contingent liabilities or guarantees.

Staff and Emolument Policy

As at 30 June 2014, the Group had a workforce of 972 full-time employees.

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

DIVIDEND

No dividends were declared or proposed during the Period. The directors of the Company do not recommend an interim dividend for the six months ended 30 June 2014.

PROSPECTS

Development of the PRC Gas Sector

In January 2013, the PRC government promulgated the "Twelfth Five-Year Plan on Energy Development", which proposed that 1,000 natural gas distributed energy projects are to be established and gas-generated electricity stations of 30 million KW are to be built by 2015. This implies that electricity generation by natural gas and natural gas distributed form of energy has become the key to energy strategy of China. It is anticipated that the natural gas consumption in China in 2015 will exceed 230 billion cubic meters, and the proportion of natural gas in China's primary energy consumption structure will increase from less than 5% in 2012 to over 7.5% in 2015, indicating that the growth of the energy industry in China remains strong.

Benefiting from the reformation of gas companies across China and the considerable demands, the Group expects to further increase its market share in its existing operational locations. The directors and management of the Company will try their best to bring satisfactory returns to the shareholders of the Company (the "Shareholders").

The principal objectives of the Group are to expand its supply of natural gas business through expansion of its gas pipelines network and to maximize the returns for Shareholders. To achieve these objectives, the Group will pursue the strategies set out below:

- The Group will continue to supply piped natural gas to its existing operational locations in Tianjin City and will aim at expansion by constructing new pipelines and connecting to more users in its existing operational locations.
- The Group will seek to expand its gas pipelines network by mergers and acquisitions, if suitable assets or suitable targets are identified.
- Apart from its natural gas operation in Tianjin City, the Group will also continue to explore and develop its natural gas operation in Jining City.
- The Company will continue its expansion in Binhai New District.

The Group plans to further explore the following areas in the future:

- Focus on the balanced development of various gas-related businesses and make efforts to develop the piped gas market, including participating in the urban natural gas pipeline network projects in local areas by way of mergers or acquisitions.
- Continue to advance the research, evaluation, negotiation and other work related to existing projects, and ensure the fulfillment of the business objectives.
- Continue to strengthen the financial management of the Group. The Group also aims to continuously lower the operating costs and maximize the revenue from the operating projects.
- Further its efforts in personnel training and recruitment, facilitate the smooth operations and developments of the Group, develop positive corporate culture, and upgrade the management of the Company.

During the Period, the Company has implemented a strategic plan to put greater focus on its gas-related businesses. Hence the Board resolved a plan to dispose its mining business and trading business of lead and zinc. The Company has started negotiations with several interested parties in relation to the disposal of its 88% equity interest in 貴州津維礦業投資有限公司 (Guizhou Jinwei Mining Investment Company Limited), which owns 70% equity interest in 貴州省台江縣國新鉛鋅選礦有限責任公司 (Guizhou Province Taijiang County New Lead and Zinc Mineral Extraction Company Limited) (“Guizhou Taijiang”). Guizhou Taijiang owns a mining right of a lead-zinc mine located in Taijiang County, Guizhou Province. The Company will comply with the relevant requirements of the the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) accordingly.

Directors’, Chief Executives’ and Supervisors’ Interests in Securities

As at 30 June 2014, the interests and short positions of the Directors, chief executives and supervisors (“Supervisors”) of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)), which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the required standard of dealings by Directors and Supervisors as referred to in Appendix 10 to the Listing Rule to be notified to the Company and the Stock Exchange were as follows:

Long position

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

Name of Director/Supervisor	Capacity	Number of Domestic Shares held	Approximate percentage of interests in the Company/ Domestic Shares of the Company
Ms. Tang Jie	Beneficial owner	41,700,000	2.27%/3.11%
Mr. Bai Shao Liang (please see Note 2 under the section “Substantial Shareholders”)	Held by controlled corporation	235,925,000	12.83%/17.62%

Save as disclosed in the above paragraph, as at 30 June 2014, none of the Directors, chief executives and Supervisors of the Company had interests or short positions in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the required standard of dealings by Directors and Supervisors as referred to in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange.

Substantial Shareholders and Other Shareholders

So far as known to the Directors, as at 30 June 2014, the following persons, not being a Director, chief executive or Supervisor of the Company, had interests or short positions in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and required to be recorded in the register kept by the Company pursuant to section 336 of the SFO:

Substantial Shareholders

Long position

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

Name of Shareholder	Capacity	Number of Domestic Shares held	Approximate percentage of interests in the Company/ Domestic Shares of the Company
Tianjin Beacon Coatings Co., Ltd (<i>Note 1</i>) 天津燈塔塗料有限公司	Beneficial owner	118,105,313	6.42%/8.82%
Tianjin Gas Group Company Limited 天津市燃氣集團有限公司	Beneficial owner	943,517,487	51.30%/70.45%
Tianjin Wanshun Real Estate Company Limited 天津市萬順置業有限公司	Beneficial owner	235,925,000	12.83%/17.62%
Ms. Li Sha (<i>Note 2</i>)	Family	235,925,000	12.83%/17.62%

Note 1: 天津燈塔塗料有限公司(Tianjin Beacon Coatings Co., Ltd), formerly known as Tianjin Tsinlien Investment & Trade Company Limited (天津津聯投資貿易有限公司), is wholly-owned by Tianjin Taida Investment Holdings Company Limited (天津泰達投資控股有限公司), which is State-owned company wholly-owned by Tianjin Municipal People's Government (天津市人民政府).

Note 2: As at 30 June 2014, Mr. Bai Shao Liang held 76% interests in 天津市萬順置業有限公司 (Tianjin Wanshun Real Estate Company Limited) and is a director of such company. Ms. Li Sha is the wife of Mr. Bai Shao Liang. Under the SFO, Mr. Bai Shao Liang and Ms. Li Sha are taken to be interested in all the shares held by Tianjin Wanshun Real Estate Company Limited.

Other Shareholders

Long position

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

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

Notes:

- As at 30 June 2014, Mr. Liu Hei Wan and Ms. Law Suet Yi jointly held the 14,500,000 H shares of the Company.
- The Waterfront Development Group Limited is wholly-owned by Mr. Liu Hei Wan and thus a controlled corporation by Mr. Liu Hei Wan. Mr. Liu Hei Wan is deemed, or taken to be, interested in the 30,000,000 shares which are beneficially owned by The Waterfront Development Group Limited for the purpose of the SFO.
- Ms. Law Suet Yi is the spouse of Mr. Liu Hei Wan and therefore, Ms. Law Suet Yi is deemed, or taken to be, interested in all the shares in which Mr. Liu Hei Wan is interested for the purpose of SFO.

Save as disclosed above, as at 30 June 2014, the Directors are not aware of any person, not being a Director, chief executive or Supervisor of the Company, who had interests or short positions in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and required to be recorded in the register kept by the Company pursuant to section 336 of the SFO.

Purchase, Sale or Redemption of the Company's Listed Securities

During the six months ended 30 June 2014, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Directors' Interests in Contracts

No contract of significance to which the Company or its subsidiaries was a party and in which a Director or Supervisor had a material interest, whether directly or indirectly, subsisted at the end of the Period or at any time during the Period.

Corporate Governance

For the six months ended 30 June 2014, the Company complied with all the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules.

Arrangements to Purchase Shares or Debentures

At no time during the Period was the Company or its subsidiaries a party to any arrangements to enable the Directors and Supervisors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Code of Conduct Regarding Securities Transactions by Directors

The Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules has been adopted as a code of securities transactions for Directors and supervisors of the Company (the "Code"). The Company, having made specific enquiries with the Directors and Supervisors, confirms that, during the six months ended 30 June 2014, all the Directors and Supervisors have complied with the required standards set out in the Code for securities transaction by the Directors and Supervisors.

AUDIT COMMITTEE

The Board established an audit committee (the "Audit Committee") on 3 December 2003 with written terms of reference in compliance with the Listing Rules. The primary duties of the Audit Committee are to review and to provide supervision over the financial reporting process and internal control system of the Group. During the Period, the Audit Committee comprised three independent non-executive Directors, namely Professor Zhang Yu Li, Mr. Luo Wei Kun and Mr. Tam Tak Kei, Raymond. The Audit Committee has reviewed the unaudited interim results for the six months ended 30 June 2014.

SIGNIFICANT CHANGES

1. Change of Executive Director

On 30 December 2013, the Board announced that Mr. Dong Hui Qiang had proposed to resign from his position as the executive Director as he has reached the retirement age. On 3 March 2014, the appointment of Mr. Hou Shuang Jiang as an executive Director had been approved by the shareholders of the Company at the general meeting held on 3 March 2014 to fill the vacancy and the resignation of Mr. Dong became effective on the same day.

For details of the change of executive Director, please refer to the announcement of the Company dated 3 March 2014.

2. Change of Authorised Representative

Following the resignation of Mr. Dong Hui Qiang (a then authorised representative) became effective on 2 March 2014, Mr. Zhang Guo Jian was appointed as an authorised representative of the Company with effect from the same day to fill the vacancy.

3. Continuing Connected Transactions in relation to Gas Supply by the Group

On 25 February 2014, the Company and Tianjing Taihua Gas Co., Ltd (天津泰華燃氣有限公司) (“Taihua Gas”) entered into the gas supply agreement in respect of the supply of natural gas by the Company to Taihua Gas for the year ending 31 December 2014 (the “Gas Supply Agreement”). Pursuant to the Gas Supply Agreement, the Group has agreed to supply to Taihua Gas and Taihua Gas has agreed to purchase from the Group up to 34,928,690 cubic metres of natural gas, and conditional on the approval of the independent shareholders of the Company, up to 79,408,105 cubic metres of natural gas, for the year ending 31 December 2014 at a price of approximately RMB2.566 per cubic metre (tax excluded, and the price is subject to adjustment in accordance with the direction of the Tianjin municipal price bureau from time to time).

On 12 March 2014, the Company entered into a supplemental agreement to the Gas Supply Agreement with Taihua Gas to revise one of the maximum amounts of gas supply under the Gas Supply Agreement (the “Supplemental Agreement”). Pursuant to the Supplemental Agreement, the maximum amount of natural gas the Group has agreed to supply to Taihua Gas and Taihua Gas has agreed to purchase from the Group before the obtaining of the approval of the independent Shareholders was amended from 34,928,690 cubic metres to 29,982,777 cubic metres. Accordingly, the cap for the supply of gas by the Group to Taihua Gas for the year ending 31 December 2014 before the obtaining of the approval of the independent Shareholders under the Gas Supply Agreement was amended from approximately RMB89,627,000 to approximately RMB76,936,000.

The Gas Supply Agreement (as supplemented and amended by the Supplemental Agreement) was duly approved by the independent Shareholders on 16 May 2014.

For details of the transactions, please refer to the announcements of the Company dated 25 February 2014, 12 March 2014 and 16 May 2014.

SUBSEQUENT EVENT

Proposed change of non-executive Director

On 27 August 2014, the Board announces that Mr. Wang Zhi Yong has proposed to resign from his position as the non-executive Director due to work re-allocation and Mr. Li Da Chuan has been nominated as candidate for election at the forthcoming extraordinary general meeting of the Company (the “EGM”) as a non-executive Director subject to the approval by the Shareholders. Mr. Wang Zhi Yong’s resignation shall become effective upon the conclusion of the EGM, and subject to the approval of the appointment of Mr. Li Da Chuan as the new non-executive Director at the EGM. The proposed term of service of Mr. Li Da Chuan will be for the period from the date of the EGM to the conclusion of the 2014 annual general meeting of the Company to be held in 2015.

For details, please refer to the Company’s announcement dated 27 August 2014.

By Order of the Board
Tianjin Jinran Public Utilities Company Limited
Zhang Tian Hua
Chairman

Tianjin, PRC, 29 August 2014

As at the date of this announcement, the Board comprises 5 executive Directors, namely Mr. Zhang Tian Hua (Chairman), Ms. Tang Jie, Mr. Bai Shao Liang, Mr. Zhang Guo Jian and Mr. Hou Shuang Jiang, 1 non-executive Director, namely Mr. Wang Zhi Yong, and 3 independent non-executive Directors, namely Professor Zhang Yu Li, Mr. Luo Wei Kun and Mr. Tam Tak Kei, Raymond.