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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 2016**

HIGHLIGHTS

- Revenue of approximately RMB602,132,000 for the six months ended 30 June 2016.
- Gross profit of approximately RMB30,724,000 for the six months ended 30 June 2016.
- Net profit of approximately RMB35,713,000 for the six months ended 30 June 2016.
- The Board does not propose an interim dividend for the six months ended 30 June 2016.

RESULTS

The board (the “Board”) of directors (the “Directors”) 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 2016 together with the unaudited comparative figures for the six months ended 30 June 2015 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

		Six months ended	
		30 June 2016 <i>RMB'000</i> (unaudited)	30 June 2015 <i>RMB'000</i> (unaudited)
	NOTES		
Continuing operations			
Revenue	3	602,132	706,754
Cost of sales		<u>(571,408)</u>	<u>(668,364)</u>
Gross profit		30,724	38,390
Other income	4	13,950	1,986
Other gains and losses	5	9,193	15,341
Administrative expenses		(9,866)	(11,363)
Share of profit of associates		<u>4,182</u>	<u>4,504</u>
Profit before tax from continuing operations	6	48,183	48,858
Income tax expense	7	<u>(11,304)</u>	<u>(11,285)</u>
Profit for the period from continuing operations, all attributable to owners of the Company		<u>36,879</u>	<u>37,573</u>
Discontinued operations			
Loss for the period from discontinued operations	8	<u>(1,166)</u>	<u>(1,264)</u>
Profit and total comprehensive income for the period		<u><u>35,713</u></u>	<u><u>36,309</u></u>
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		36,055	36,742
Non-controlling interests		<u>(342)</u>	<u>(433)</u>
		<u><u>35,713</u></u>	<u><u>36,309</u></u>
Earnings per share			
From continuing and discontinued operations			
– Basic (<i>RMB cents</i>)	10	<u><u>1.97</u></u>	<u><u>2.00</u></u>
From continuing operations			
– Basic (<i>RMB cents</i>)	10	<u><u>2.01</u></u>	<u><u>2.04</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

		30 June 2016 <i>RMB'000</i> (unaudited)	31 December 2015 <i>RMB'000</i> (audited)
	NOTES		
Non-current assets			
Property, plant and equipment	11	851,494	865,636
Prepaid lease payments	12	11,629	11,789
Intangible assets		399	422
Interests in associates		48,634	44,452
Deferred tax assets		11,549	11,687
Prepayment for pipeline reconstruction	21(b)	11,019	11,019
		<u>934,724</u>	<u>945,005</u>
Current assets			
Inventories		3,766	3,853
Trade and note receivables	13	84,448	151,531
Prepayments and other receivables	13	21,057	35,978
Amount due from related parties	14	36,414	64,110
Other financial assets	15	810,346	—
Bank balances and cash		205,353	1,003,009
		<u>1,161,384</u>	<u>1,258,481</u>
Assets classified as held for sale	8	6,559	7,725
		<u>1,167,943</u>	<u>1,266,206</u>
Current liabilities			
Trade and other payables	16	261,244	333,450
Dividend payable		10,975	10,975
Income tax payable		9,269	1,162
Amounts due to a shareholder	14	467	—
Amounts due to related parties	14	76,730	156,751
		<u>358,685</u>	<u>502,338</u>
Liabilities directly associated with assets classified as held for sale	8	2,568	2,568
		<u>361,253</u>	<u>504,906</u>
Net current assets		<u>806,690</u>	<u>761,300</u>
Total assets less current liabilities		<u><u>1,741,414</u></u>	<u><u>1,706,305</u></u>

		30 June 2016	31 December 2015
	<i>NOTES</i>	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (audited)
Non-current liabilities			
Deferred revenue	17	<u>35,425</u>	<u>36,029</u>
		<u>1,705,989</u>	<u>1,670,276</u>
Capital and reserves			
Share capital	18	183,931	183,931
Share premium and reserves		<u>1,524,398</u>	<u>1,488,343</u>
Equity attributable to owners of the Company		1,708,329	1,672,274
Non-controlling interests		<u>(2,340)</u>	<u>(1,998)</u>
Total Equity		<u>1,705,989</u>	<u>1,670,276</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	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 1 January 2015 (audited)	183,931	788,703	66,658	27,911	568,067	1,635,270	(1,346)	1,633,924
Profit and total comprehensive income for the period	–	–	–	–	36,742	36,742	(433)	36,309
Appropriation (note i)	–	–	6,758	3,379	(10,137)	–	–	–
At 30 June 2015 (unaudited)	183,931	788,703	73,416	31,290	594,672	1,672,012	(1,779)	1,670,233
Profit and total comprehensive income (expenses) for the period	–	–	–	–	262	262	(219)	43
At 31 December 2015 (audited)	183,931	788,703	73,416	31,290	594,934	1,672,274	(1,998)	1,670,276
Profit and total comprehensive income (expenses) for the period	–	–	–	–	36,055	36,055	(342)	35,713
At 30 June 2016 (unaudited)	<u>183,931</u>	<u>788,703</u>	<u>73,416</u>	<u>31,290</u>	<u>630,989</u>	<u>1,708,329</u>	<u>(2,340)</u>	<u>1,705,989</u>

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. The statutory surplus reserve shall only be used for making up losses, capitalisation into share capital and expansion of the production and operation.

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 until the balance reach 50% of the registered capital. The enterprise expansion fund is used for expanding the capital base of the PRC companies by means of capitalisation issue. No reserve are made during the current interim period as the accumulated amount of the reserve reach 50% of the registered capital.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Operating activities		
Net cash from/(used in) operating activities	12,182	(37,684)
Investing activities		
Purchase of property, plant and equipment	(12,223)	(3,395)
Purchase of intangible assets	–	(351)
Proceeds from disposal of property, plant and equipment	256	–
Interest received	2,042	172
Acquisition of financial assets designated at fair value through profit or loss (“FVTPL”)	(800,000)	(4,724,000)
Proceeds from the redemption of financial assets designated at FVTPL	–	4,816,020
Net cash (used in)/from investing activities	(809,925)	88,446
Net cash used in financing activities	–	–
Net (decrease)/increase in cash and cash equivalents	(797,743)	50,762
Cash and cash equivalents at 1 January	1,003,727	93,253
Cash and cash equivalents at 30 June, represented by bank balances and cash	205,984	144,015
Attributable to:		
Continuing operations	205,353	143,679
Disposal groups classified as held for sales	631	336
	205,984	144,015

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

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.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) that are mandatorily effective for the current interim period.

HKFRS 14	Regulatory Deferral Accounts
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception

The adoption of above amendments to existing standards did not have significant effect on the interim financial information or result in any significant changes in the Group’s significant accounting policy.

The HKICPA has issued the following new standards and amendments to existing standards which are not effective for accounting period beginning on 1 January 2016 and have not been early adopted:

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers ¹
HKFRS 16	Leases ²
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKAS 7	Disclosure Initiative ³
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ³

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2019

³ Effective for annual periods beginning on or after 1 January 2017

⁴ Effective for annual periods beginning on or after a date to be determined.

3. SEGMENT INFORMATION

Information reported to the board of Directors, being the chief operating decision maker, for the purposes of resources allocation and assessment of segment performance focuses on types of services delivered and goods sold. As disclosed in note 8, mineral exploration segment was discontinued and hence the segment information reported below does not include any amounts for this discontinued operation.

On 25 April 2016, the Group agreed with the fellow subsidiary of the holding company, 天津濱海燃氣集團有限公司 (the “Binhai Gas Group”) to rental pipeline of the Group to Binhai Gas Group. The related information reported in rental income segment.

Therefore, the Group is divided into reportable operating segments as follows:

1. Sales of piped gas – sales of piped gas to industrial and residential users
2. Gas connection – provision of piped gas connection services
3. Gas transportation – transportation of gas to 津燃華潤燃氣有限公司 (“津燃華潤”)
4. Sales of gas appliances
5. Rental income – income from pipeline operating lease to Binhai Gas Group

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 2016

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>	Rental income <i>RMB'000</i>	Segment total <i>RMB'000</i>
Segment revenue from external customers	<u>526,044</u>	<u>68,287</u>	<u>1,567</u>	<u>5,234</u>	<u>1,000</u>	<u>602,132</u>
Segment profit	<u>(5,711)</u>	<u>35,444</u>	<u>(919)</u>	<u>1,667</u>	<u>243</u>	<u>30,724</u>

Reconciliation of segment profit to consolidated profit before tax

	<i>RMB'000</i>
Total segment profit	30,724
Share of profit of associates	4,182
Other income	13,950
Other gains and losses	9,193
Administrative expenses	<u>(9,866)</u>
Profit before tax from continuing operations	<u>48,183</u>

Six-months ended 30 June 2015

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>	Rental income <i>RMB'000</i>	Segment total <i>RMB'000</i>
Segment revenue from external customers	<u>633,608</u>	<u>67,653</u>	<u>1,744</u>	<u>3,749</u>	<u>–</u>	<u>706,754</u>
Segment profit	<u>(593)</u>	<u>39,732</u>	<u>(1,595)</u>	<u>846</u>	<u>–</u>	<u>38,390</u>

Reconciliation of segment profit to consolidated profit before tax

RMB'000

Total segment profit	38,390
Share of profit of associates	4,504
Other income	1,986
Other gains and losses	15,341
Administrative expenses	<u>(11,363)</u>
Profit before tax from continuing operations	<u>48,858</u>

4. OTHER INCOME

Six months ended 30 June

2016 **2015**
RMB'000 ***RMB'000***
(unaudit) **(unaudit)**

Continuing operations

Government grant	11,092	1,313
Bank interest income	2,042	172
Value added tax and business tax refund	568	501
Sundry income	<u>248</u>	<u>–</u>
	<u>13,950</u>	<u>1,986</u>

5. OTHER GAINS AND LOSSES

Six months ended 30 June

2016	2015
<i>RMB'000</i>	<i>RMB'000</i>
(unaudit)	(unaudit)

Continuing operations

Fair value gains or losses on:

– Unrealised gain on fair value change of financial assets at FVTPL	10,346	1,432
– Gain on redemption of financial assets designated at FVTPL	–	13,584
Reversal of impairment for doubtful debts recovered	1,000	1,313
Gains/(losses) on disposal of property, plant and equipment	21	(988)
Compensation industrial injury	(1,174)	–
Allowance of impairment for property, plant and equipment	(1,000)	–
	<u>9,193</u>	<u>15,341</u>

6. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

Six months ended 30 June

2016	2015
<i>RMB'000</i>	<i>RMB'000</i>
(unaudit)	(unaudit)

Profit for the period from continuing operations has been arrived at after charging:

Staff costs including directors' and supervisors' remuneration

– basic salary and allowance	39,506	38,445
– retirement benefit scheme contributions	7,183	6,838
– directors' and supervisors' fee	150	129
– welfare, labour union and others	649	811

Total staff cost

Depreciation of property, plant and equipment	25,385	30,424
Amortisation of intangible assets		
(inclusive in administrative expenses)	23	9
Amortisation of prepaid lease payments		
(inclusive in administrative expenses)	160	160
Operating lease rentals in respect of rental premises	459	563
Cost of on purchasing of gas	460,603	557,847

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(unaudit)	(unaudit)
Current tax	11,166	10,629
Deferred tax	138	656
	<u>11,304</u>	<u>11,285</u>

The Company and its subsidiaries are subject to the PRC Enterprise Income Tax of 25% for the six months ended 30 June 2016 (For the six months ended 30 June 2015: 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. DISCONTINUED OPERATION AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

As disclosed in the annual consolidated financial statements of the Group for the financial year ended 31 December 2015, a strategic decision was made on 23 June 2014 to place greater focus on the Group's key competencies in gas related industries and the Board resolved a plan to dispose mineral related business. The Company was negotiating with several interested parties to disposal of 88% equity interest in 貴州津維礦業投資有限公司 (“貴州津維”). 貴州津維 owns 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 (collectively as “mineral operation”).

As a result, the Group's mineral operation are presented as discontinued operation in the consolidated statement of profit or loss and other comprehensive income separately from continuing operations for the period ended from 30 June 2014 up to now. As at 30 June 2016, the assets and liabilities attributable to the operations have been classified as disposal group held for sale and are separately presented in the consolidated statement of financial position.

In this period, an impairment loss of RMB1,078,000 has been recognised to write down the mining rights included in the assets and liabilities classified as held for sale to its estimated fair value less costs to sell of RMB2,113,000. This is a non-recurring fair value which has been measured using observable inputs, based on the prices for recent sales of mining rights as well as offers received available near reporting dates, and is therefore within level 3 of the fair value hierarchy.

During the initial one-year period since June 2014, the market conditions that existed at the date the disposal group was classified initially as held for sale have deteriorated and, as a result, the disposal group was not sold to the interested parties by the end of that period. Based on the most recent transaction prices as reference, a further impairment loss of RMB1,078,000 has been recognised in the current interim period. The Group remains committed to its plan to sell the disposal group and the disposal group continues to be actively marketed at a price that is reasonable given the change in market conditions. As a result, the directors consider the assets should continue to be classified as held for sale at the end of the reporting period.

The results of the discontinued mining operation included in the loss for the period from discontinued operation are set out below.

The loss for the periods from the discontinued operation

	Six months ended 30 June	
	2016 <i>RMB'000</i> (unaudit)	2015 <i>RMB'000</i> (unaudit)
Administrative expenses	<u>(88)</u>	<u>(196)</u>
Loss before tax	(88)	(196)
Income tax expense	<u>—</u>	<u>—</u>
Loss after the taxation	<u>(88)</u>	<u>(196)</u>
Impairment loss recognised on the remeasurement to fair value less costs to sell	<u>(1,078)</u>	<u>(1,068)</u>
Loss for the period from discontinued operation	<u>(1,166)</u>	<u>(1,264)</u>
Attributable to:		
Owners of the Company	(824)	(831)
Non-controlling interests	<u>(342)</u>	<u>(433)</u>
	<u>(1,166)</u>	<u>(1,264)</u>
	Six months ended 30 June	
	2016 <i>RMB'000</i> (unaudit)	2015 <i>RMB'000</i> (unaudit)
Loss for the period from discontinued operation has been arrived at after charging:		
Depreciation of property, plant and equipment	—	—
Staff cost	<u>67</u>	<u>90</u>

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

	Six months ended 30 June	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudit)	(unaudit)
Net cash inflows from operating activities/net cash flows	(87)	(141)

The assets and liabilities associated with the disposal group held for sale are analysed as follows:

	30 June	31 December
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudit)	(audit)
Property, plant and equipment	3,560	3,560
Mining right	2,113	3,191
Other receivables	255	256
Cash and bank balances	631	718
Assets of mineral operation classified as held for sale	6,559	7,725
Trade and other payables	2,568	2,568
Liabilities associated with assets classified as held for sale	2,568	2,568
Net assets of mineral operation classified as held for sale	3,991	5,157

9. DIVIDEND

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2016 and 2015.

During the current interim period, no final dividend in respect of the year ended 31 December 2015 and 2014 was declared.

10. EARNINGS PER SHARE

From continuing and discontinued operations

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

	Six months ended 30 June	
	2016 <i>RMB'000</i> (unaudit)	2015 <i>RMB'000</i> (audit)
Earnings		
Earnings for the purpose of basic earnings per share		
Profit for the period attributable to owners of the Company	<u><u>35,713</u></u>	<u><u>36,742</u></u>
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share ('000)	<u><u>1,839,308</u></u>	<u><u>1,839,308</u></u>

No diluted earnings per share have been presented as there were no potential ordinary shares outstanding during both period.

From continuing operations

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

	Six months ended 30 June	
	2016 <i>RMB'000</i> (unaudit)	2015 <i>RMB'000</i> (audit)
Earnings		
Profit for the period attributable to the owners of the Company	36,055	36,742
Add: Loss for the period from discontinued operation attributable to owners of the Company	<u>824</u>	<u>831</u>
Profit for the year attributable to owners of the Company from continuing operations	<u><u>36,879</u></u>	<u><u>37,573</u></u>
Number of shares		
Number of ordinary shares ('000)	<u><u>1,839,308</u></u>	<u><u>1,839,308</u></u>

Basic earnings per share related to the discontinued operation is RMB0.04 cents loss per share (six months ended 30 June 2015: RMB0.05 cents loss per share) based on the loss for the period from discontinued operation attributable to owners of the Company of RMB824,000 (six months ended 30 June 2015: RMB831,000), and the number of ordinary shares as per the table above.

11. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group purchased property, plant and equipment of approximately RMB12,478,000 (six months ended 30 June 2015: RMB4,335,000). During the same period, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of approximately RMB235,000 (six months ended 30 June 2015: RMB988,000) to third parties, resulting in a gain on disposal of approximately RMB21,000 (six months ended 30 June 2015: a loss on disposal of approximately RMB988,000). During the same period, an impairment loss of RMB1,000,000 (six months ended 30 June 2015: Nil) had been recognised to write down the net book value of pipeline in reconstruction projects. The reconstruction projects were to replace certain existing old pipelines, whose net book values were negligible, with new pipelines.

12. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise:

	30 June 2016 RMB'000 (unaudit)	31 December 2015 RMB'000 (audit)
Analysed for reporting purpose as:		
Current portion (included in prepayments and other receivables)	302	302
Non-current portion	11,629	11,789
	11,931	12,091

The cost of prepaid lease payments is amortised over 40 to 50 years on a straight-line basis.

13. TRADE AND NOTE RECEIVABLES/PREPAYMENT AND OTHER RECEIVABLES

	30 June 2016 RMB'000 (unaudit)	31 December 2015 RMB'000 (audit)
Trade receivables	58,178	79,109
Note receivables	36,747	83,899
Less: Impairment loss recognised	(10,477)	(11,477)
Net trade and note receivables	84,448	151,531
Undeducted value added tax input and its surcharges	10,072	20,919
Others	7,541	11,076
Other receivables	17,613	31,995
Less: Impairment loss recognised	(2,285)	(2,285)
Net other receivables	15,328	29,710
Prepayment	5,729	6,268
	21,057	35,978

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 history.

For certain customers, in particular in the business of gas connection, the Group required a certain level of deposits to be paid. 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. Note receivable were issued by banks with maturity days within 90 days.

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

	30 June 2016 RMB'000 (unaudit)	31 December 2015 RMB'000 (audit)
0-90 days	56,237	73,135
91-180 days	24,935	39,605
181-270 days	849	23,078
271-365 days	488	13,088
Over 365 days	1,939	2,625
	84,448	151,531

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

- (a) The amounts due to the shareholder are all trade in nature, unsecured and non-interest bearing. The credit period is 90 days. Details of the balance is set out in note 21(c).
- (b) The amounts due from related parties 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 21(b). An aged analysis of such balances net of allowance of doubtful debts presented based on the billing date at the end of the reporting period, which approximated the revenue recognition dates are as follows:

	30 June 2016 RMB'000 (unaudit)	31 December 2015 RMB'000 (audit)
0-90 days	7,406	42,208
91-180 days	2,325	501
181-270 days	3,666	859
271-365 days	2,475	1,553
Over 365 days	20,542	18,989
	36,414	64,110

- (c) The amounts due to related parties 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 21(d). An aged analysis of such balances presented based on the billing date at the end of the reporting period are as follows:

	30 June 2016 (unaudit)	31 December 2015 (audit)
0-90 days	68,307	154,889
91-180 days	2,960	89
181-270 days	3,602	–
271-365 days	–	467
Over 365 days	1,861	1,306
	<u>76,730</u>	<u>156,751</u>

15. OTHER FINANCIAL ASSETS

The balances represent the investments in the Wealth Management Products (the “WMP”) amounting to RMB810,346,000 (31 December 2015: Nil), of which was issued by licensed financial institutions with guaranteed return of principal and not redeemable before maturity date by the Group. The expected annual return rates of WMP are 3.0% to 3.5% (31 December 2015: Nil) per annum and investment period are all within 180 days (31 December 2015: Nil). The financial assets have been designated as financial assets at FVTPL on initial recognition as the financial asset forms part of a group of financial assets, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group’s documented risk management or investment strategy, and information about the grouping is provided internally on that basis.

The fair value of other financial assets is calculated at the present value of the estimated future cash flows based on expected annual return rates.

During the period, the Group invested in the WMP amounting to RMB800,000,000 (six months ended 30 June 2015: RMB4,724,000,000), of which were issued by licensed financial institutions with guaranteed return of principal and not redeemable before maturity date. The proceeds from the redemption of WMP amounting to Nil (six months ended 30 June 2015: RMB4,816,020,000).

The Group’s outstanding balances of WMPs with RMB810,346,000 as of 30 June 2016 were redeemed subsequent to the end of the reporting period and the proceeds of RMB812,510,000 were received by the Group upon redemption.

16. 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 2016 RMB'000 (unaudit)	31 December 2015 RMB'000 (audit)
0-90 days	18,705	32,433
91-180 days	21,971	3,889
181-270 days	3,090	17,622
271-365 days	6,970	6,869
Over 365 days	6,941	6,826
Trade payables	57,677	67,639
Advance from customers	189,901	216,563
Value-added tax payable and other tax payables	2,797	24,024
Accrued staff costs and pension	4,808	20,654
Accrued expense	4,964	3,528
Others	1,097	1,042
	203,567	265,811
	261,244	333,450

17. DEFERRED REVENUE

	30 June 2016 RMB'000 (unaudit)	31 December 2015 RMB'000 (audit)
Government grants:		
At the beginning of the year	37,071	25,423
Received during the year	–	14,618
Credited to profit or loss	(549)	(2,970)
	36,522	37,071
Analysed for reporting purpose as:		
Current portion	1,097	1,042
Non-current portion	35,425	36,029
	36,522	37,071

The government grants have been received by the Company mainly for the pipelines related construction. There are no unfulfilled conditions or contingencies attached to these grants.

18. 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 2015, 30 June 2015, 1 January 2016 and 30 June 2016	<u>1,339,247,800</u>	<u>500,060,000</u>	<u>183,931</u>

19. COMMITMENTS

(a) Capital commitments

	30 June 2016 RMB'000 (unaudit)	31 December 2015 RMB'000 (audit)
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed financial statements	<u>2,684</u>	<u>4,073</u>

(b) Operating leases commitment – Group as lessee

The Group's future aggregate minimum lease payments under non-cancellable operating leases in respect of buildings are as follows:

	30 June 2016 RMB'000 (unaudit)	31 December 2015 RMB'000 (audit)
Within one year	<u>791</u>	<u>1,186</u>

(c) **Operating leases commitment – Group as lessor**

The Group's future aggregate minimum lease payments under non-cancellable operating leases in respect of equipment are as follows:

	30 June 2016 RMB'000 (unaudit)	31 December 2015 RMB'000 (audit)
Within one year	6,000	–
Within second year	6,000	–
Within third year	5,000	–
	17,000	–

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets that are measured at fair value on a recurring basis.

The following table gives information about how the fair value of these financial assets are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (level 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- 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	Fair value as at		Fair value hierarchy	Valuation technique and key inputs	Relationship of unobservable inputs to fair value
	30 June 2016	31 December 2015			
WMP	RMB810,346,000	Nil	Level 3	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.

21. 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	
			2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
天津市燃氣集團有限公司	Holding company	Rental expense	327	490
		Estate Management fee	140	–
津燃華潤燃氣有限公司	Joint venture of the holding company	Purchase of gas	454,692	550,602
		Gas transportation income	1,567	1,744
		Entrustment fee	–	89
天津泰華燃氣有限公司	Subsidiary of holding company	Sales of gas	82,211	115,317
天津市裕民燃氣表具有限公司	Subsidiary of holding company	Purchase of gas meters	2,823	2,880
天津市益銷燃氣工程發展有限公司	Subsidiary of holding company	Installation of gas meters	1,261	–
天津市燃氣熱力規劃設計院	Subsidiary of holding company	Construction design fee	1,200	1,291
天津市濱海燃氣集團有限公司	Subsidiary of holding company	Gas pipeline lease income	1,000	–
天津裕成燃氣設備有限公司	Subsidiary of holding company	Purchase of equipment	229	–
濱海中油燃氣有限責任公司	Subsidiary of holding company	Sales of gas	90	73
天津市津能工程管理有限公司	Subsidiary of holding company	Supervision fee	63	–
天津市津燃物業管理有限公司	Subsidiary of holding company	Property management fee	–	210

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

Name of related party	Relationship	30 June 2016 RMB'000	31 December 2015 RMB'000
津燃華潤燃氣有限公司	Joint venture of the holding company		
	– Current	24,697	22,958
	– Non-current (note)	11,019	11,019
		<u>35,716</u>	<u>33,977</u>
天津市裕民燃氣表具有限公司	Subsidiary of holding company	7,450	3,691
天津泰華燃氣有限公司	Subsidiary of holding company	3,232	37,426
天津市濱海燃氣集團有限公司	Subsidiary of holding company	1,000	–
天津市燃氣熱力規劃設計院	Subsidiary of holding company	35	35
		<u>47,433</u>	<u>75,129</u>

Note: In 2014, Tianjin Government approved the Group's pipeline reconstruction projects with estimated total costs of RMB24,206,000, of which RMB14,866,000 was to be financed by government's grants and the remaining balance of RMB9,340,000 was to be borne by the Group. The reconstruction projects were to replace certain existing old pipelines, whose net book values are negligible, with new pipelines. Tianjin Government had assigned and hence the Group had entrusted 津燃華潤燃氣有限公司 ("津燃華潤") to manage and execute the reconstruction projects of the Group. During the period end of 30 June 2016, the total cost of pipeline reconstruction amounted to RMB12,366,000 and both of the Tianjin Government and the Group has paid through 津燃華潤 the full amount of the estimated total cost of RMB14,866,000 and RMB9,340,000, respectively. Therefore, the balance of RMB11,019,000 is presented as prepayment for pipeline reconstruction in the consolidated statement of financial position as at 30 June 2016 and will be recorded as long-term assets when the construction is completed.

(c) Details of amount due to a shareholder is as following:

Name of related party	Relationship	30 June 2016 RMB'000	31 December 2015 RMB'000
天津市燃氣集團有限公司	Holding company	<u>467</u>	<u>–</u>

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

Name of related party	Relationship	30 June 2016 RMB'000	31 December 2015 RMB'000
津燃華潤燃氣有限公司	Joint venture of the holding company	65,407	143,437
天津市益銷燃氣工程發展有限公司	Subsidiary of the holding company	3,781	5,020
天津市熱力有限公司	Subsidiary of the holding company	2,437	2,437
天津市裕民燃氣表具有限公司	Subsidiary of the holding company	2,151	3,249
天津市燃氣熱力規劃設計院	Subsidiary of the holding company	1,392	1,030
天津市液化氣工程有限公司	Subsidiary of the holding company	1,306	1,306
天津市津能工程管理有限公司	Subsidiary of the holding company	192	177
天津市聯寅燃氣通信技術有限責任公司	Subsidiary of the holding company	29	29
濱海中油燃氣有限責任公司	Subsidiary of the holding company	35	66
		76,730	156,751

(e) 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, associate and joint venture which have been disclosed in other notes to the consolidated financial statements, the Group also conducts business with other government-related entities directly or indirectly controlled, jointly controlled or significant influenced by the Chinese Mainland government in the ordinary course of business. The directors 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 and the amount of revenue from these companies accounted for a significant portion of the total revenue. In addition, the Group has entered into a majority of various banking transactions, which are government-related entities, including deposits placements and acquired financial products classified other financial assets. 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 period.

The Directors are of the opinion that the following transactions with other government – related entities require disclosure:

Transactions with other government – related entities, including state-controlled banks in the PRC

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Acquire financial products of WMPs	800,000	3,635,000

Balances with other government-related entities, including state-controlled banks in the PRC

	30 June	31 December
	2016	2015
	RMB'000	RMB'000
Other financial assets	405,113	616,098

(f) 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	
	2016	2015
	RMB'000	RMB'000
Short-term benefit	582	634
Post-employment benefit	71	88
	653	722

22. EVENT AFTER THE REPORTING PERIOD

On 13 July 2016, the registration of the share transfer from Tianjin Beacon Coatings Company Limited (天津燈塔塗料有限公司) (“Beacon Coatings”) to Tianjin Gas Group Company Limited (天津市燃氣集團有限公司) (“Tianjin Gas”) have been completed. Immediately following the completion of the aforesaid equity transfer, the shareholding of the Company held by Tianjin Gas will increase from approximately 64.12% to approximately 70.545% and Beacon Coatings will cease to be a shareholder of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 June 2016 (the “Period”), in order to maintain the sustainable development of the Group, the Board and the management have committed to, on one hand, developing new markets, and as the consumption of original users decreases, explore new gas users and, on the other hand, enhancing internal control and cost management, as well as taking the initiative to optimize its management in business development, daily operations and compliance matters.

FINANCIAL REVIEW

For the Period, the Group reported a revenue of approximately RMB602,132,000, representing a decrease of approximately 14.8% as compared with the corresponding period of last year. The gross profit margin decreased from approximately 5.43% for the six months ended 30 June 2015 to approximately 5.1% for the Period. The profit for the Period and total comprehensive income for the Period attributable to owners of the Company amounted to approximately RMB36,055,000 (For the six months ended 30 June 2015: approximately RMB36,742,000) representing a decrease of approximately 1.87%.

The Company’s total profit for the Period remained at similar level to the corresponding period in the previous year. In the second half of the year, the Company will further enhance market expansion efforts, seize the opportunity of the shift from coal to gas, and explore profit growth points.

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, 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 2016, the Group did not have any bank borrowing.

The Group mostly uses Renminbi in its ordinary 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 ordinary business operation is only minimal.

The Group’s gearing ratio (total liabilities to total asset rate) as at 30 June 2016 was approximately 13.06%.

Contingent Liabilities

As at 30 June 2016, the Group had no material contingent liabilities or guarantees.

Staff and Emolument Policy

As at 30 June 2016, the Group had a workforce of 895 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 do not recommend an interim dividend for the six months ended 30 June 2016.

PROSPECTS

Development of the PRC Gas Sector

During the "13th Five-Year Plan", optimising energy structure and managing environmental pollution at the national level will be the most significant driving force for natural gas consumption in China. Since 2013, China has successively released such framework documents such as the Plan of Action for the Prevention of Air Pollution (《大氣污染防治行動計劃》), Detailed Rules for Implementation of the Action Plans for the Prevention and Control of Air Pollution in the Beijing-Tianjin-Hebei Region and the Surrounding Regions (《京津冀及周邊地區落實大氣污染防治行動計劃實施細則》), and the Plan for Strengthening the Prevention and Control of Atmospheric Pollution in Energy Industry (《能源行業加強大氣污染防治工作方案》). In November 2014, China and the USA issued a joint statement in respect of dealing with climate change in Beijing, formally proposing for the first time that China's carbon emissions will reach its peak in 2030 and China will put effort for early achievement. In accordance with the Action Plan for Energy Development Strategy (2014-2020) (《能源發展戰略行動計劃(2014-2020年)》) released by the State Council, the proportion of natural gas among primary energy consumption will increase to 10% or more by 2020.

The new Natural Gas Utilization Policy (《天然氣利用政策》) issued in 2013 further indicates the future development direction for China's natural gas utilization. In urban gas field, China's new urbanization is being promoted constantly. The annual average population of gasification is around 30 million people and national urban gasification rate will reach more than 60% by 2020. As a result, natural gas will become the main fuel of urban residents. In respect of the transportation area, natural gas will become the main fuel for most taxis in middle or small-scale cities. Buses in large and medium-scale cities will also gradually become clean gas-fueled. Liquefied natural gas (LNG) vehicles will further expand to intercity coaches and heavy trucks, and the application of LNG to ships and trains will begin. Natural gas will become a competitive fuel in public transportation. In respect of the industrial field, the progress of substituting natural gas as industrial fuel will be fully accelerated, especially in Bohai Bay Rim area, where coal-burning boilers will be substituted, and traditional industries, such as iron, steel and ceramics etc, will be upgraded so as to manage air pollution, and central and western regions where the industrial structure of traditional industries will be transferred to. As such, the natural gas consumption in industrial field will be promoted. In respect of natural gas power generation, natural gas peak power stations will be orderly developed and natural gas distributed energy development will be the priority in air pollution control districts such as Beijing, Tianjing, Hebei and Shandong, Yangtze River delta and the Pearl River delta. It is expected that by 2020, urban and industrial consumption will account for over 60% of the total gas consumption. Domestic and overseas consulting agencies forecast that natural gas consumption will reach 300 billion to 360 billion cubic meters by 2020.

Looking ahead, based on the analysis in respect of external environment and inner abilities as well as resources, the Company is positioned as a clean energy integrated solution provider, aiming to maximize returns for its shareholders. The Company plans to expand in the following areas:

- On the premise of ensuring the strategic direction and business needs, lay emphasis on five principles, which are strategic orientation, economical efficiency, financing matching, risk prevention and order of priority, to achieve continuing growth of net cash flows.
- Continue to improve the financial management system, with a view to reducing operating costs, and maximize the benefits from project operations.
- Continue to strengthen the support of scientific and technological innovation to the businesses of the Company, enhance the introduction and development of advanced technologies, as well as apply such advanced technologies to the production management and the internal management.
- Continue to improve the operation management system and mechanism, with emphasis on operation security, optimize management methods and means and promote the pre-control safety management, so as to ensure safe operation.
- Continue to strengthen the talent team construction, drive management change with strategic change, expand existing businesses with incremental business and inspire employees with entrepreneurial teams, so as to contribute a chain reaction to the corporation.

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

As at 30 June 2016, the interests and short positions of the Directors, chief executives and supervisors (the "Supervisors") of the Company in the shares of the Company (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%

Save as disclosed in the above paragraph, as at 30 June 2016, 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 2016, 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 Gas (Note 1)	Beneficial owner	1,297,547,800	70.545%/96.886%
Tianjin Energy Investment Company Limited ("Tianjin Energy") (Note 2) 天津能源投資集團有限公司	Interest of a controlled corporation	1,297,547,800	70.545%/96.886%

Notes:

- On 16 October 2014, Tianjin Gas and Tianjin Beacon Coatings Company Limited (天津燈塔塗料有限公司) ("Beacon Coatings") entered into a share transfer agreement for the transfer of 118,105,313 Domestic Shares, representing approximately 6.42% of the total issued share capital of the Company, from Beacon Coatings to Tianjin Gas at nil consideration (the "Beacon Coatings Share Transfer"). The Beacon Coatings Share Transfer has been completed on 13 July 2016.
- Tianjin Energy is the intermediary holding company of Tianjin Gas. Therefore Tianjin Energy is deemed, or taken to be interested in all the Domestic Shares beneficially held by Tianjin Gas for the purpose of the SFO.

Other Shareholders

Long position

H Shares of 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:

1. As at 30 June 2016, Mr. Liu Hei Wan and Ms. Law Suet Yi jointly held the 14,500,000 H Shares of the Company.
2. The Waterfront Development Group Limited is wholly-owned by Mr. Liu Hei Wan and thus a controlled corporation held by Mr. Liu Hei Wan. Therefore, Mr. Liu Hei Wan is deemed, or taken to be, interested in the 30,000,000 H Shares which are beneficially owned by The Waterfront Development Group Limited for the purpose of the SFO.
3. Ms. Law Suet Yi is the spouse of Mr. Liu Hei Wan and therefore, Ms. Law Suet Yi is deemed, or taken to be, interested in all the Shares in which Mr. Liu Hei Wan is interested for the purpose of SFO.

Save as disclosed above, as at 30 June 2016, 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 Period, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Directors' Interests in Contracts

Save as disclosed in this announcement, 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 Period, 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 Period, 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 system and risk management and internal control systems of the Group. During the Period, the Audit Committee comprised three independent non-executive Directors, namely Mr. Guo Jia Li, Mr. Zhang Ying Hua and Mr. Yu Jian Jun. The Audit Committee has reviewed the unaudited interim results for the Period.

SIGNIFICANT EVENTS

Change of Supervisor

On 15 January 2016, the Board announced that Mr. Xue Youzhi (薛有志) (“Mr. Xue”) had proposed to resign from his position as the independent Supervisor due to his personal work commitments to accord with the relevant requirements of 中華人民共和國教育部 (The Ministry of Education of the People’s Republic of China*). On 25 April 2016, the supervisory committee of the Company proposed to appoint Mr. Liu Zhi Yuan (劉志遠) (“Mr. Liu”) as an independent Supervisor. On 22 June 2016, the appointment of Mr. Liu as an independent Supervisor had been approved by the shareholders of the Company at the annual general meeting to fill the vacancy and the resignation of Mr. Xue became effective on the same day.

For details of the change of Supervisor, please refer to the announcements of the Company dated 15 January 2016, 25 April 2016 and 22 June 2016.

Subscription of Wealth Management Products

On 3 February 2016, the Company entered into wealth management agreements (the “First Wealth Management Agreements”) to subscribe for the 中國銀行人民幣“按期開放”理財產品 (RMB “Open-ended Product with due dates” Product of Bank of China Limited*) and 平安銀行對公結構性存款 (掛鉤利率) 產品 (Structured Corporate Deposits (Interest rate linked) Product of Ping An Bank*) in the subscription amounts of RMB200 million each (equivalent to approximately HK\$236 million as at 3 February 2016).

Since the relevant applicable percentage ratio (as defined under the Listing Rules) in respect of the subscription amount under each of the First Wealth Management Agreements exceeds 5% but is less than 25%, the transaction contemplated under each of the First Wealth Management Agreements constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under the Listing Rules.

For details of the transactions, please refer to the announcement of the Company dated 3 February 2016.

On 4 February 2016, the Company entered into wealth management agreements (the “Second Wealth Management Agreements”) with 中國農業銀行股份有限公司 (Agricultural Bank of China Limited*) and 齊魯銀行股份有限公司 (Qilu Bank Company Limited*) to subscribe for 中國農業銀行“本利豐”定向人民幣理財產品 (“Benlifeng” oriented RMB Wealth Management Product of Agricultural Bank*) and 齊魯銀行“泉心理財”暢盈九洲惠利514號人民幣理財產品 (“Quanxin” Wealth Management “Chang Ying Jiu Zhou Hui Li” No.514 RMB Wealth Management Product of Qilu Bank*) in the subscription amounts of RMB200 million each (equivalent to approximately HK\$236 million as at 4 February 2016).

Since the relevant applicable percentage ratio (as defined under the Listing Rules) in respect of the subscription amount under each of the Second Wealth Management Agreements exceeds 5% but is less than 25%, the transaction contemplated under each of the Second Wealth Management Agreements constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under the Listing Rules.

For details of the transactions, please refer to the announcement of the Company dated 4 February 2016.

Continuing Connected Transaction in Relation to Gas Pipeline Lease Agreement

On 25 April 2016, the Company and 天津濱海燃氣集團有限公司 (Tianjin Binhai Gas Group Company Limited*) (the “Binhai Gas Group”) entered into a gas pipeline lease agreement (the “Gas Pipeline Lease Agreement”) in respect of the lease of the high pressure gas pipelines extending from the intersection of Dong Jin Road (東金路) and Yang Bei Road (楊北公路) in Dongli District (東麗區), Tianjin to the intersection of Xin Gang No.8 Road (新港八號路) and Yue Jin Road (躍進路) in Tanggu District (塘沽區), Tianjin, measuring approximately 30 km, which is owned and managed by the Company, to Binhai Gas Group for natural gas transmission for the period from 1 May 2016 to 30 April 2019. Pursuant to the gas pipeline lease agreement, Binhai Gas Group will pay to the Company the gas pipeline lease fee, which is RMB4,000,000, RMB6,000,000 and RMB6,000,000 for the three years ending 31 December 2018, respectively.

Tianjin Gas is the controlling shareholder of the Company, and thus a connected person of the Company. Binhai Gas Group is a wholly-owned subsidiary of Tianjin Gas and thus also a connected person of the Company.

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules for the Gas Pipeline Lease Agreement, on an annual basis, is more than 0.1% but less than 5%, the transactions contemplated under the Gas Pipeline Lease Agreement are subject to the annual review, reporting and announcement requirements under Chapter 14A of the Listing Rules, but are exempt from the circular, independent financial advice and shareholders’ approval requirements.

For details of the transaction, please refer to the announcement of the Company dated 25 April 2016.

Continuing Connected Transaction in Relation to Pipeline Construction and Design Services

On 29 April 2016, the Company and 天津能源投資集團有限公司 (Tianjin Energy Investment Company Limited*) (the “Tianjin Energy”) entered into a pipeline construction and design agreement (the “Pipeline Construction and Design Agreement”) in respect of the provision of pipeline construction and design services by Tianjin Energy and/or its associated companies upon successful bids for gas pipeline construction contracts put out to tender from time to time by the Group in accordance with the tendering procedures set by the Group from time to time for the period from 29 April 2016 to 31 December 2018. The annual cap for three years ended 31 December 2018 is RMB30,000,000, RMB30,000,000 and RMB30,000,000 respectively.

Tianjin Energy owns the entire equity interest in Tianjin Gas, a controlling shareholder of the Company, and thus Tianjin Energy is a connected person of the Company.

As each of the applicable percentage ratios for the caps of the transaction contemplated under the Pipeline Construction and Design Agreement for each of the twelve months ending 31 December 2016, 31 December 2017 and 31 December 2018 is, on an annual basis, more than 0.1% but less than 5%, the Pipeline Construction and Design Agreement is exempt from the independent shareholders’ approval requirement and is only subject to the annual review, reporting and announcement requirements under Chapter 14A of the Listing Rules.

For details of the transaction, please refer to the announcement of the Company dated 31 December 2012, 12 July 2013 and 29 April 2016.

Connected Transaction in Relation to Installation Services of Gas Meters

On 8 June 2016, the Company entered into an installation services agreement (the “Installation Services Agreement”) with 天津市益銷燃氣工程發展有限公司 (Tianjin Yixiao Construction Development Limited*) (the “Tianjin Yixiao”), pursuant to which Tianjin Yixiao agreed to provide installation services of indoor gas meters in Tianjin at a consideration of RMB10,240,000.

Tianjin Gas is a controlling shareholder of the Company, and thus a connected person of the Company. As at the date of the Installation Services Agreement, Tianjin Yixiao is owned as to 75% by 天津市眾元天然氣工程有限公司 (Tianjin Zhongyuan Natural Gas Engineering Limited*) (the “Tianjin Zhongyuan”) (a subsidiary of Tianjin Gas) and 25% by 天津市允孚燃氣科貿有限公司 (Tianjin Yunfu Natural Gas Trade Limited*) (the “Tianjin Yunfu”) (a subsidiary of Tianjin Gas) respectively and thus a connected person of the Company.

As all of the applicable percentage ratios for the Installation Services Agreement are more than 0.1% but below 5%, the Installation Services Agreement and the transactions contemplated thereunder are subject to the annual review, reporting and announcement requirements under Chapter 14A of the Listing Rules but are exempt from the independent shareholders’ approval requirement.

For details of the transaction, please refer to the announcement of the Company dated 8 June 2016.

Connected Transaction in Relation to Purchase of Gas Meters

On 30 June 2016, the Company entered into a purchase and sales agreement (the “Purchase and Sales Agreement”) with 天津市裕民燃氣表具有限公司 (Tianjin Yumin Gas Meter Co., Ltd*) (the “Tianjin Yumin”), pursuant to which Tianjin Yumin agreed to sell and the Company agreed to purchase 40,000 gas meters at an aggregate purchase price of RMB14,000,000.

Tianjin Gas is a controlling shareholder of the Company, and thus a connected person of the Company. Tianjin Yumin is a subsidiary of Tianjin Gas and thus also a connected person of the Company.

As one or more of the applicable percentage ratios for the Purchase and Sales Agreement are more than 0.1% but below 5%, the Purchase and Sales Agreement and the transaction contemplated thereunder is subject to the reporting and announcement requirements but is exempt from independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

For details of the transaction, please refer to the announcement of the Company dated 30 June 2016.

SUBSEQUENT EVENTS

Subscription of Wealth Management Products

On 4 August 2016, the Company entered into a wealth management agreement with Industrial Bank Co., Ltd (the “Industrial Bank Wealth Management Agreement”) to subscribe for the 興業銀行企業金融結構性存款產品 (Corporate Finance Structured Deposits Product of Industrial Bank*) in the subscription amount of RMB200 million (equivalent to approximately HK\$232 million as at 4 August 2016).

Since the highest relevant applicable percentage ratio (as defined under the Listing Rules) in respect of the subscription amount under the Industrial Bank Wealth Management Agreement exceeds 5% but is less than 25%, the transaction contemplated under the Industrial Bank Wealth Management Agreement constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under the Listing Rules.

For details of the transaction, please refer to the announcement of the Company dated 4 August 2016.

On 12 August 2016, the Company entered into a wealth management agreement with Industrial and Commercial Bank of China Limited (the “ICBC Wealth Management Agreement”) to subscribe for the 中國工商銀行保本型“隨心E”法人人民幣理財產品 (ICBC Principal Guaranteed Corporate “Sui Xin E” RMB Wealth Management Product*) in the subscription amount of RMB200 million (equivalent to approximately HK\$232 million as at 12 August 2016).

Since the highest relevant applicable percentage ratio (as defined under the Listing Rules) in respect of the subscription amount under the ICBC Wealth Management Agreement exceeds 5% but is less than 25%, the transaction contemplated under the ICBC Wealth Management Agreement constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under the Listing Rules.

For details of the transaction, please refer to the announcement of the Company dated 12 August 2016.

On 19 August 2016, the Company entered into a wealth management agreement with China Everbright Bank Co., Ltd. (the “Everbright Bank Wealth Management Agreement”) to subscribe for the structured deposit product in the subscription amount of RMB200 million (equivalent to approximately HK\$234 million as at 19 August 2016).

Since the highest relevant applicable percentage ratio (as defined under the Listing Rules) in respect of the subscription amount under the Everbright Bank Wealth Management Agreement exceeds 5% but is less than 25%, the transaction contemplated under the Everbright Bank Wealth Management Agreement constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under the Listing Rules.

For details of the transaction, please refer to the announcement of the Company dated 19 August 2016.

On 23 August 2016, the Company entered into a wealth management agreement with China CITIC Bank Corporation Limited (the “CITIC Bank Wealth Management Agreement”) to subscribe for the 中信理財之共贏保本步步高升B款人民幣理財產品 (CITIC Wealth-Win-Win Principal Guaranteed “Bu Bu Gao Sheng” Type B RMB Wealth Management Product*) in the subscription amount of RMB200 million (equivalent to approximately HK\$234 million as at 23 August 2016).

Since the highest relevant applicable percentage ratio (as defined under the Listing Rules) in respect of the subscription amount under the CITIC Bank Wealth Management Agreement exceeds 5% but is less than 25%, the transaction contemplated under the CITIC Bank Wealth Management Agreement constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under the Listing Rules.

For details of the transaction, please refer to the announcement of the Company dated 23 August 2016.

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

Tianjin, PRC, 24 August 2016

As at the date of this announcement, the Board comprises 5 executive Directors, namely Mr. Zhang Tian Hua (Chairman), Ms. Tang Jie, Ms. Wang Wen Xia, Mr. Zhang Guo Jian and Mr. Hou Shuang Jiang, 1 non-executive Director, namely Mr. Li Da Chuan, and 3 independent non-executive Directors, namely Mr. Zhang Ying Hua, Mr. Yu Jian Jun and Mr. Guo Jia Li.

* *for identification purpose only*