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: 1265

Annual Report 2013

CONTENTS

COMPANY INFORMATION

DIRECTORS

Executive Directors

Zhang Tian Hua *(Chairman)*
Bai Shao Liang
Tang Jie
Zhang Guo Jian
Hou Shuang Jiang

Non-executive Director

Wang Zhi Yong

Independent Non-executive Directors

Zhang Yu Li
Luo Wei Kun
Tam Tak Kei, Raymond

INDEPENDENT SUPERVISORS

Jiang Nian
Dou Run Liang

STAFF REPRESENTATIVE SUPERVISORS

Sun Xue Gang
Hao Li

SHAREHOLDERS REPRESENTATIVE SUPERVISOR

Cao Shu Jing

COMPANY SECRETARY

Kwok Shun Tim CPA ACCA MSC LLM

AUTHORISED REPRESENTATIVES

Zhang Guo Jian
Kwok Shun Tim

BOARD COMMITTEES

Audit Committee

Zhang Yu Li *(Chairman)*
Luo Wei Kun
Tam Tak Kei, Raymond

Nomination Committee

Zhang Tian Hua *(Chairman)*
Zhang Yu Li
Luo Wei Kun

Remuneration Committee

Luo Wei Kun *(Chairman)*
Zhang Tian Hua
Tam Tak Kei, Raymond

LEGAL ADDRESS

Weishan Road
Chang Qing Science, Industry and Trade Park
Jinnan District, Tianjin

PRINCIPAL PLACE OF BUSINESS IN THE PRC

9th Floor, Ranqi Building
28 Si Ma Road, Nankai,
Nankai District,
Tianjin, PRC

AUDITORS

Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway
Hong Kong

HONG KONG LEGAL ADVISER

Loong & Yeung
Suites 2001-2005, 20th Floor
Jardine House
1 Connaught Place
Central, Hong Kong

SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
17M/F
Hopewell Centre
183 Queen's Road East, Hong Kong

PRINCIPAL BANKER

Agricultural Bank of China
Tianjin He Xi Sub-branch
PRC

STOCK CODE

01265

FINANCIAL SUMMARY

	2013 RMB'000	2012 RMB'000
Revenue	**1,494,634**	1,538,939
Gross profit	**102,880**	157,445
Profit for the year and total comprehensive income for the year attributable to owners of the Company	**84,425**	119,577
Equity attributable to owners of the Company	**1,570,751**	1,515,755
Total assets	**1,901,428**	1,777,355

	2013 RMB (cents)	2012 RMB (cents)
Earnings per share	**4.6**	6.5

CHAIRMAN'S STATEMENT

To all the shareholders:

On behalf of the board (the "Board") of directors (the "Directors") of Tianjin Jinran Public Utilities Company Limited (the "Company"), I am pleased to present the annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2013 (the "Year" or the "Reporting Period" or the "Period").

The year 2013 has been a challenging year for the Company. We believe that the Group is on the right track to restore itself back to its full potential, and that the steps we are taking, including the hard work that goes behind them, will translate Into sustainable growth and profitability, thereby creating value for all shareholders in year 2014.

DEVELOPMENT OF THE PRC GAS SECTOR

Improving living standards and increasing environmental consciousness in the PRC spur the country's demand for natural gas. Production of natural gas in the PRC continued to grow rapidly in 2013. Nonetheless, natural gas still plays a small role in the PRC's energy consumption structure. Presently, the PRC's annual per capita consumption of natural gas remained low comparing to global standard, but given the environmental benefits of using natural gas, the PRC has embarked on a major expansion of its gas infrastructure. We believe that the natural gas in the PRC will record a strong growth.

The fight against environmental pollution has topped the PRC's agenda for securing a sustainable economic growth. There has been high enthusiasm across the country to accelerate natural gas development. Piped natural gas is particularly the case given the strong growing demand in the PRC for a more convenient supply of clean fuel. As such, the piped natural gas market has entered into a stage of rapid growth.

In the Twelfth Five-Year Plan Program of National Economy and Social Development for the year 2011-2015, the PRC government has further emphasized the measures on environmental protection including the reduction of the release of pollutants. According to the Twelfth Five-Year Plan, full use of renewable energy shall be utilized and new source of natural gas shall be developed. The network of high-pressure gas pipe in Tianjin shall be developed into a transmission system in a "six-horizontal, four-vertical and seven-ring" manner. The planned heat source shall be mainly thermal power plants, gas, renewable energy and energy-saving and environmentally-friendly boiler rooms. The boiler rooms in the Central District and core area of Binhai New District in Tianjin shall be re-engineered in order to increase the proportion of clean energy and reduce carbon emission.

In the Twelfth Five-Year Plan, natural gas shall be the main source of energy in the future and shall lead the energy market in the future. Natural gas shall mitigate the energy shortage and environmental pollution of the PRC, and is an ideal energy for sustainable development.

All above factors provide the Group's core businesses with a strong impetus for further expansion, which in turn will enable the Group to enjoy a substantial share of the considerable gains to be made by the PRC's booming gas sector.

BUSINESS DEVELOPMENT

A huge development of the century, the "West to East Natural Gas Pipeline Project" is undoubtedly a strong propellant for the gas related industries to upgrade their facilities, expand their markets and improve their efficiencies. It is also an obvious propeller for the Group's business advancement. In the wake of an abundant supply of gas resources, local gas operators in the PRC are taking initiatives to find long-term partnerships with strong gas listing enterprises of well-established brand names in order to strengthen their own competitiveness and increase their market share. The Group is taking full advantage of its brand strength and management edge to uncover more acquisition and joint venture opportunities. These efforts will enable the Group to continuously expand its market share, further strengthen its brand name and maximize the returns for shareholders.

PROSPECTS

At present, the major businesses of the Group located in Tianjin and Jining in the PRC. The economic conditions of these cities have been providing the chance of development for the Group's business.

With the full completion of West to East Natural Gas Pipeline Project and the implementation of specific projects like Natural Gas Supply from Sichuan to Eastern Part of China, Shaanxi to Beijing Gas Supply, East Ocean Gas Supply Onshore, Importation of Liquefied Natural Gas for Southern China, and the construction work of Russia Gas Supply to China to commence, natural gas market will develop rapidly all over the PRC.

It can be expected that the Group will continue to strengthen its piped gas business, consolidate its existing resources and further develop the natural gas pipelines market through mergers and acquisitions. The Group will also keep enhancing its corporate image as a comprehensive and professional gas services provider and increasing its core competitiveness in the gas sector.

APPRECIATION

I would like to take this opportunity to thank our shareholders, customers and business associates for their continual supports and our staff for their diligence and contribution during the past year. We are a company with a qualified and professional working team and I look forward to a more rewarding 2014 for our shareholders.

Zhang Tian Hua
Chairman

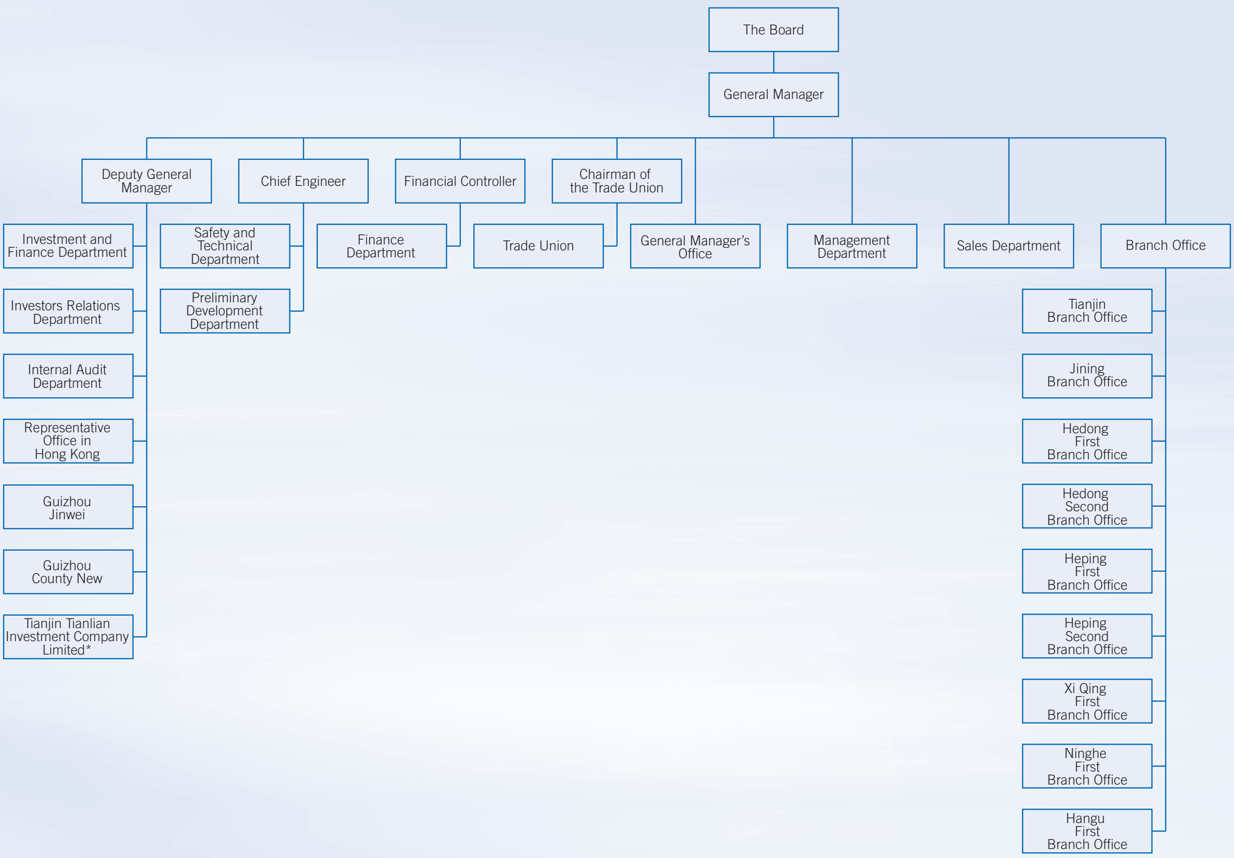
The PRC, 27 March 2014

MANAGEMENT DISCUSSION AND ANALYSIS

The year ended 31 December 2013 was a challenging year for the Group to consolidate its natural gas business. We believe that the Group will strive to achieve a more satisfactory result for our shareholders in year 2014.

MANAGEMENT STRUCTURE

In order to facilitate the Group's constant expansion and improvement, the Group has its management structure, as set out below:



Since the listing of the H shares ("H Shares") of the Company on the Stock Exchange on 9 January 2004, the Group has been growing rapidly in terms of the business scope and market coverage of its products and services.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the year of 2013, 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 year ended 31 December 2013, the Group reported a revenue of approximately RMB1,494,634,000, representing a decrease of approximately 2.88% as compared with the previous year. The gross profit margin decreased from approximately 10% for the year ended 31 December 2012 to approximately 7% for the year ended 31 December 2013. The profit for the year and total comprehensive income for the year attributable to owners of the Company for the year ended 31 December 2013 amounted to approximately RMB84,425,000 (2012: approximately RMB119,577,000) representing a decrease of approximately 29.40%.

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

1. the decrease in gas connection income from approximately RMB166,079,000 in 2012 to approximately RMB126,418,000 in 2013, representing a decrease of approximately 23.88% due to the relatively sluggish property market in Tianjin, resulting in a decrease in demand of piped gas connection services from the Group;

2. the decrease in demand for piped gas from a major customer of the Group due to the increase of unit price of natural gas supplied by the Company as directed by the Tianjin municipal price bureau in the second half of 2013; and

3. during the year ended 31 December 2013, there was an impairment loss recognised amounting to approximately RMB5,617,000 (2012: Nil) in respect of the mining right of the lead-zinc mine located in Taijiang County, Guizhou Province owned by 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), a company held as to 70% by 貴州津維礦業投資有限公司 (Guizhou Jinwei Mining Investment Company Limited), which is in turn held as to 88% by the Group as the actual future cash flows arising from the said mine were less than expected for the year ended 31 December 2013 due to the Board's decision to temporarily postpone the exploration of the said mine and focus on the Group's principal business of natural gas in the second half of 2013.

SEGMENTAL INFORMATION ANALYSIS

During the Year, 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, sales of gas appliances, sales of lead and zinc and the construction of gas pipeline infrastructure.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2013, the Group had no bank borrowings. The Group mostly uses Renminbi in its operation and it has not used any financial instrument for currency hedging purposes, as it considers that its exposure to fluctuations in exchange rates is only minimal.

The Group's gearing ratio (total liabilities to total asset rate) as at 31 December 2013 was approximately 0.17 (as at 31 December 2012: approximately 0.15).

As at 31 December 2013, approximately 100% of the total amount of cash and cash equivalents of the Group was in Renminbi (as at 31 December 2012: 100%).

CONTINGENT LIABILITIES

As at 31 December 2013, the Group had no material contingent liabilities or guarantees.

STAFF AND EMOLUMENT POLICY

As at 31 December 2013, the Group had a workforce of 993 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.

BREACHES OF CHAPTER 14A OF THE LISTING RULES

Continuing connected transaction with Taihua Gas

The Group has been supplying natural gas to 天津泰華燃氣有限公司 (Tianjin Taihua Gas Co., Ltd.*) ("Taihua Gas") since May 2011. Taihua Gas is owned as to 70% by 天津市燃氣集團有限公司 (Tianjin Gas Group Company Limited*) ("Tianjin Gas") (the controlling shareholder of the Company) and thus a connected person of the Company. Hence, the sale of natural gas by the Company to Taihua Gas constitutes a continuing connected transaction of the Company. The remaining 30% of Taihua Gas is owned by Tanjin Taida Investment Holdings Company Limited (which owns the entire issued share capital of 天津燈塔塗料有限公司 (Tianjin Beacon Coatings Co., Ltd), which in turn held 118,105,313 domestic shares of the Company, representing approximately 6.42% of the total issued shares of the Company). The total sales by the Group to Taihua Gas (excluding tax) amounted to approximately RMB61,532,812, RMB124,405,456 and RMB153,031,186 for the three years ended 31 December 2013 respectively. Under Chapter 14A of the Listing Rules, such sale of natural gas constituted non-exempt continuing connected transactions which should be subject to the reporting, announcement, annual review and independent shareholders' approval requirements. Due to an inadvertent mistake, the Company has omitted to comply with the said requirements under Chapter 14A of the Rules Governing the Listing of Securities (the "Listing Rule") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") for such sale. For details of the breach, please refer to the announcement of the Company dated 25 February 2014.

Continuing connected transaction with Zhongyou Gas

The Group had been supplying natural gas to 天津中油燃氣車用燃料技術有限公司 (Tianjin Zhongyou Gas Vehicle Fuel Technology Co., Ltd.*) ("Zhongyou Gas") since May 2011 until July 2013. Zhongyou Gas was owned as to 40% by Tianjin Gas, the controlling shareholder of the Company, and thus a connected person of the Company. Hence, the sale of natural gas by the Company to Zhongyou Gas constituted a continuing connected transaction of the Company. The total sales by the Group to Zhongyou Gas (excluding tax) amounted to RMB20,490,357.08, RMB34,469,565.00 and RMB17,565,725.93 for the two years ended 31 December 2012 and the period from 1 January 2013 to July 2013, respectively. Under Chapter 14A of the Listing Rules, such sale of natural gas constituted non-exempt continuing connected transactions which should be subject to the reporting, announcement, annual review and independent shareholders' approval requirements for the year ended 31 December 2011 and subject to the reporting and announcement requirements but were exempted from independent shareholders' approval requirements for the year ended 31 December 2012 and the period from 1 January 2013 to July 2013. Due to an inadvertent mistake, the Company had omitted to comply with the said requirements under Chapter 14A of the Listing Rules for such sale. However, such sale has ceased in July 2013. For details of the breach, please refer to the announcement of the Company dated 12 March 2014.

In order to prevent recurrence of the similar incidents, the Company has implemented certain measures to enhance its internal control system.

* *For identification purposes only*

MANAGEMENT DISCUSSION AND ANALYSIS

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.

CONTINUING CONNECTED TRANSACTION IN RELATION TO PIPELINE CONSTRUCTION SERVICES

On 12 July 2013, the Company and Tianjin Gas, the controlling shareholder of the Company, entered into the pipeline construction framework agreement in respect of which Tianjin Gas and/or its associated companies may bid 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 12 July 2013 to 31 December 2015 (the "Pipeline Construction Framework Agreement"). Pursuant to the Pipeline Construction Framework Agreement, the annual caps (in terms of contract sum committed under the construction services contracts if awarded as a result of successful bid are RMB20,000,000 for each of the year ended 31 December 2013, and years ending 31 December 2014 and 31 December 2015.

As each of the applicable percentage ratios for the caps of the transaction contemplated under the Pipeline Construction Framework Agreement for the period commencing from 12 July 2013 to 31 December 2013, and each of the twelve months ending 31 December 2014 and 31 December 2015 is, on an annual basis, more than 0.1% but less than 5%, the Pipeline Construction Framework Agreement is exempt from the independent shareholders' approval requirement and is only subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

For details of the transaction, please refer to the announcements of the Company dated 12 July 2013 and 29 August 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

CONNECTED TRANSACTIONS IN RELATION TO PURCHASE OF GAS METRES

On 30 December 2013, the Company entered into two purchase and sales agreements with 天津市裕民燃氣表具有限公司 (Tianjin Yumin Gas Meter Co., Ltd*) ("Tianjin Yumin"), a subsidiary of Tianjin Gas, pursuant to which Tianjin Yumin agreed to sell and the Company agreed to purchase 9811 gas metres and 17,052 gas metres at an aggregate purchase price of RMB3,433,850 and RMB5,968,200 respectively (collectively referred to as the "Purchase and Sales Agreements").

As the applicable percentage ratios for the Purchase and Sales Agreements calculated on an aggregate basis, were more than 0.1% but below 5%, the Purchase and Sales Agreements and the transactions contemplated thereunder were subject to, among other things, the reporting and announcement requirements but were 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 December 2013.

ACKNOWLEDGEMENT

I, on behalf of the Board, would like to thank all the staff for their diligence and perseverance during the Year.

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

The PRC, 27 March 2014

* *For identification purpose only*

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

As at the date of this report, the Company has five executive Directors, one non-executive Director, and three independent non-executive Directors. Their details are set out below:

Executive Directors

Mr. Zhang Tian Hua (張天華), aged 50, is the chairman of the Board and an executive Director. He is a senior engineer, graduated from the Faculty of Energy and Chemical of Huadong Chemical College (華東化工學院) in 1984 and obtained a master's degree in Business Administration for Senior Management from Nankai University (南開大學) in 2009. From 1994 to 2000, he had been the deputy head of First Coal Gas Factory of Tianjin (天津市第一煤氣廠) and First Coal Gas Factory of Tianjin Coal Gas Group (天津市煤氣集團第一煤氣廠). Prior to joining Tianjin Gas as a deputy chief engineer and the head of technology and equipment department in 2001, Mr. Zhang had been the manager of Tianjin Shanjin Mass Transit of Natural Gas Company Limited (天津市陝津天然氣集輸有限公司) from 2000 to 2001. From 2002 to 2011, he had been the chief engineer and the deputy general manager of Tianjin Gas. In 2007, Mr. Zhang was awarded special subsidy by the State Council. Mr. Zhang is also the general manager of Tianjin Gas. Mr. Zhang was appointed as an executive Director on 23 September 2011.

Mr. Bai Shao Liang (白少良), aged 54, is an executive Director. Mr. Bai has obtained a master degree in business administration from Nan Kai University (南開大學) in 2005. Mr. Bai has been the chairman of the board of directors and general manager of Wanshun Real Estate, a substantial shareholder of the Company, since 1993. Mr. Bai Shao Liang holds 76% interests in Wanshun Real Estate Company Limited (天津市萬順置業有限公司) ("Wanshun Real Estate"). Under the Securities and Future Ordinance (the "SFO"), Mr. Bai Shao Liang is taken to be interested in all the Shares held by Wanshun Real Estate. Mr. Bai was appointed as an executive Director on 26 May 2006. Mr. Bai is responsible for making material decisions of the Company.

Ms. Tang Jie (唐潔), aged 46, is an executive Director. Ms. Tang graduated from the Tianjin Institute of Finance (天津財經學院) (now known as the Tianjin University of Finance and Economics (天津財經大學)), majoring in accounting, in 1991. Ms. Tang is one of the promoters of the Company and had been working for the Company as an accountant and deputy general manager in the account department since December 1998. She had been appointed as a deputy general manager of the Company in 2001. Ms. Tang was appointed as an executive Director on 28 December 2001 and is responsible for making material decisions of the Company.

Mr. Zhang Guo Jian (張國健), aged 40, graduated from the Party School of Tianjin Municipal Party Committee (天津市委黨校) in September 2005, majoring in economics and management. Mr. Zhang has over 18 years of experience in the utilities sector. Prior to joining the Company, he worked in 天津市燃氣集團第一銷售分公司 (First Sales Branch of Tianjin Gas Group Company Limited*) from 1995 to 2012. Mr. Zhang had served as the assistant to the general manager and the deputy chief economist of 天津市燃氣集團有限公司 (Tianjin Gas Group Company Limited*), the controlling shareholder of the Company, since 2012 and the party branch secretary and manager of the Company since 2013. Mr. Zhang has served as the general manager of the Company since 26 July 2013. Mr. Zhang Guo Jian was appointed as an executive Director on 1 November 2013.

* *For identification purposes only*

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Hou Shuang Jiang (侯雙江), aged 44, was awarded with a bachelor's degree in chemical engineering from Tianjin University of Technology* (天津理工大學) (formerly known as Tianjin Institute of Technology* (天津理工學院)) in July 1991. Mr. Hou has accumulated more than 17 years of experience in the finance and capital markets sector. Prior to joining the Company, Mr. Hou worked as an officer in 中鋼集團天津地質研究院 (Sinosteel Tianjin Geological Academy*, formerly known as 冶金部天津地質調查所 (Ministry of Metallurgical Industry Tianjin Geological Academy*)) from July 1991 to April 1996, the deputy manager of the sales department of 天津匯金期貨經紀公司 (Tianjin Huijin Futures Brokerage Company*) in Zhengzhou from April 1996 to December 1999. From December 1999 to May 2000, Mr. Hou had acted as an investment consultant of Yingda Securities Co., Ltd.* (英大證券有限責任公司). He was an investment consultant of Bohai Securities Co., Ltd* (渤海証券股份有限公司) from May 2000 to January 2013. From January 2013 to November 2013, Mr. Hou was the manager of the capital management department of 天津市津能投資公司 (Tianjin Jinneng Investment Company*). Mr. Hou has been the manager of the capital management department of 天津能源投資集團有限公司 (Tianjin Energy Investment Group Limited*) since November 2013. Mr. Hou is also a director of 津燃貿易諮詢有限公司 (Jinran Trading Consultancy Company Limited*), a wholly-owned subsidiary of 天津市燃氣集團有限公司 (Tianjin Gas Group Company Limited*), the controlling shareholder (has the meaning ascribed to in the Listing Rules) of the Company. Mr. Hou was appointed as an executive Director on 3 March 2014.

Non-executive Director

Mr. Wang Zhi Yong (王志勇), aged 41, obtained a bachelor degree in economics in July 1994 and a master degree in world economics in June 2009 at Nankai University (南開大學). Since November 2010, Mr. Wang has been the party committee member and deputy general manager of Tianjin Jinlian Investment Holdings Company Limited (天津津聯投資控股有限公司). Since April 2010, Mr. Wang has been the deputy general manager, party committee member and director of Jinlian Group Company Limited (津聯集團有限公司). Since October 2009, Mr. Wang has been the executive Director of Tianjin Development Holdings Limited (天津發展控股有限公司) (Stock Code: 882), whose shares are listed on the Main Board of the Stock Exchange. Since May 2010, Mr. Wang has also been the deputy general manager of Tianjin Development Holdings Limited (天津發展控股有限公司). During September 2009 to July 2010, Mr. Wang was the assistant to general manager, and the general manager of finance market department of Jinlian Group Company Limited (津聯集團有限公司). During July 1998 to July 2010, he was the manager, deputy general manager and general manager of Jinlian Group (Tianjin) Asset Management Company Limited (津聯集團(天津)資產管理有限公司). During July 1994 to June 1998, he was the head of the international trading department of Northern International Trust Investment Company Limited (北方國際信託投資有限公司). Mr. Wang was appointed as an executive Director on 20 June 2012.

* *For identification purposes only*

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Independent Non-executive Directors

Professor Zhang Yu Li (張玉利), aged 48, was appointed as an independent non-executive Director on 25 June 2007. Professor Zhang is a graduate of the Nan Kai University (南開大學) in the PRC. He received a bachelor's degree in economic management in 1987, a master's degree in corporate management in 1990, and was awarded a doctorate in economics, majoring in corporate management in 1996. Professor Zhang had been the associate dean of the School of Business of Nan Kai University (南開大學), the PRC. He has been the head of the Entrepreneurship Management Studies Centre (創業管理研究中心) of the School of Business of Nan Kai University (南開大學), the PRC since 2008. He is currently the dean of the school of Business of Nan Kai University, the PRC.

Mr. Luo Wei Kun (羅維崑), aged 74, was appointed as an independent non-executive Director on 28 October 2002. Mr. Luo graduated from the Tsinghua University (清華大學) in the PRC with a bachelor's degree in civil architecture in 1964. He started his postgraduate studies in civil engineering in the same year and was subsequently awarded a postgraduate diploma in 1967. He was a technician in the Wuhan Branch of the China National Pharmaceutical Industry Corporation (中國醫藥工業公司武漢分公司) (now known as China National Pharmaceutical Industry Corporation Limited) (中國醫藥工業有限公司)) in 1968. He worked in the State Ministry of Medicine-Hubei Medical Manufactory Branch (國家醫葯總局湖北製藥製劑分廠) from 1969 to 1985 and successively held various positions, including deputy chief engineer. He worked as an engineer, section head and assistant to factory manager in Tianjin Second Coal Gas Factory (天津市第二煤氣廠) from 1986 to 1992. He was the deputy chief engineer in Tianjin Public Utility Bureau (天津市公用局) since 1992 and up to his retirement in March 2000. Mr. Luo acted as a consultant in Tianjin City Gas Administrative Office (天津市燃氣管理處) since 2000, and had been a committee member of Urban Coal Gas Association of Civil Engineering Association in China (中國土木工程學會城市煤氣學會理事會), a member of the technical consultant committee in the Planning Office of Tianjin City (天津市建設管理委員會技術顧問委員會). Mr. Luo is currently an independent non-executive Director of China Leason CBM & Shale Gas Group Company Limited (中國聯盛煤層氣頁岩氣產業集團有限公司) formerly known as China Leason Investment Group Co., Limited (中國聯盛投資集團有限公司) (Stock Code: 8270), whose shares are listed on the Growth Enterprise Market of the Stock Exchange ("GEM").

Mr. Tam Tak Kei, Raymond (譚德機), aged 51, was appointed as an independent non-executive Director on 15 February 2011. Mr. Tam holds a Bachelor of Arts Degree in Accounting with Computing from University of Kent at Canterbury, England and is a an associate member of the Institute of Chartered Accountants in England and Wales. He is also an associate member of the Hong Kong Institute of Certified Public Accountants. Currently, Mr. Tam is the financial controller of an international law firm and has over 20 years of professional accounting experience. He is also an independent non-executive director of Sun Innovation Holdings Limited (Stock Code: 547), Vision Fame International Holding Limited (Stock Code: 1315) and Sunley Holdings Limited (Stock Code: 1240), whose shares are listed on the Main Board of the Stock Exchange, and Zebra Strategic Holdings Limited (Stock Code: 8260), whose shares are listed on the GEM.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SUPERVISORS

The Company has established a supervisory committee ("Supervisory Committee") whose primary duty is to supervise the discharge of the duties of the senior management of the Company, including the Board, managers and senior officers. The function of the Supervisory Committee is to ensure that the senior management of the Company acts in the interests of the Company, its shareholders and employees and does not perform acts which violate PRC laws or the articles of association of the Company (the "Articles of Association"). The Supervisory Committee reports to the shareholders in general meetings. The Articles of Association provides the Supervisory Committee with the right to investigate the Company's financial affairs, to carry out supervision to ensure that the Directors, managers and other senior management personnel of the Company do not act in contravention of any laws, administrative regulations or the Articles of Association in the performance of their duties, to request that any activities harmful to the interests of the Company or the Directors, managers or other senior management of the Company be corrected, to propose the convening of extraordinary general meetings of shareholders; to exercise other powers of office stipulated in the Articles of Association, and in appropriate cases, to appoint on behalf of the Company solicitors, certified public accountants or certified practicing auditors to provide assistance when the Supervisory Committee exercise its power.

The Supervisory Committee currently comprises of five members, two of whom are representatives of the employees. The members of the Supervisory Committee currently are:

Shareholders Representative Supervisor

Mr. Cao Shu Jing (曹書經), aged 62, was appointed as a shareholders representative supervisor on 4 January 2006. Mr. Cao graduated from the Management Institute of Tianjin City (天津市管理幹部學院), majoring in corporate ideological and political work in 1985, and subsequently in administration of commerce and industry management in 1990. Mr. Cao joined Tianjin Gas in March 1973. Mr. Cao had been qualified senior political officer, and the deputy general manager of Tianjin Gas. Mr. Cao retired from his post in Tianjin Gas on 22 March 2012.

Independent Supervisor

Mr. Jiang Nian (姜念), aged 59, is a supervisor and a senior engineer. He graduated from Tianjin Technology University in July 1983 with a bachelor degree in Chemical Engineering. Mr. Jiang had been the process engineer of Tianjin First Coal Gas Factory, the deputy head of safety and technology in Nankai District of Tianjin Gas, the head of technical equipment in Second Sales Company of Tianjin Gas, the field director of Nankai Distribution Command Center for the Project of importing natural gas from Shanganning oil field of Tianjin Gas, the chief engineer of Second Sales Company of Tianjin Gas, and the manager of Third Sales Company of Tianjin Gas. He currently is the chief engineer of Tianjin Gas, responsible for planning and design, technical development, product specification and pipeline networks operation.

Mr. Dou Run Liang（竇潤亮）, aged 36, is a law and engineering double degree holder and was awarded a doctorate in management. Mr. Dou is a lecturer of the department of management and economics of Tianjin University（天津大學）, and the deputy secretary of the Industrial Engineering Institution of the Chinese Mechanical Engineering Society（中國機械工程學會工業工程分會）. Mr. Dou has been the chief responsible officer of several research projects for different institutions. He was appointed as an independent supervisor on 14 June 2013.

Staff Representative Supervisors

Mr. Sun Xue Gang（孫學剛）, aged 38, is a supervisor and a deputy general manager of the Company. Mr. Sun graduated from the Tianjin Institute of Finance（天津財經學院）(now known as the Tianjin University of Finance and Economics（天津財經大學）), the PRC, majoring in economic information management, in 1997. Between 1997 and 2006, he worked for Tianjin Water Works Group Company Limited（天津市自來水集團有限公司）and had successively been a management cadre in the human resources department and a vice party secretary, and had been a deputy manager of Tianjin Water Works Group Company Limited（天津市自來水集團有限公司）retail branch in the northern part of Tianjin. He was appointed as a deputy general manager of the Company in 2006 and has been appointed as a Supervisor on 25 June 2007. Mr. Sun is responsible for corporate investment and financing, investor relationship and internal audit of the Company. He is also responsible for organising feasibility study and application for approval in relation to the investment projects of the Company and managing the Jining Branch.

Ms. Hao Li（郝力）, aged 44, is a supervisor. Ms. Hao graduated from the School of Tianjin Committee of the Communist Party（中共天津市委黨校）, majoring in economics and management, in 2005. She worked in the planning department of Tianjin Gas from 1988 to 2005, and subsequently joined the Company and worked in the management department. She was appointed as a Supervisor on 25 June 2007.

COMPANY SECRETARY

Mr. Kwok Shun Tim（郭純恬）, aged 39, Mr. Kwok holds a master of science in China Business Studies from The Hong Kong Polytechnic University and a master of laws (International Economic Law) from the City University of Hong Kong and a Bachelor Degree of Business Administration in Accounting from The Hong Kong University of Science and Technology. He is an associate member of Hong Kong Society of Accountants (currently known as Hong Kong Institute of Certified Public Accountants), an ordinary member of Hong Kong Securities Institute, a full member of IT Accountants Association and a fellow of the Association of Chartered Certified Accountants. Mr. Kwok is currently a member of Guangdong Province Zhaoqing City Committee of the Chinese People's Political Consultative Conference（中國人民政治協商會議廣東省肇慶市委員會）and a director of Yan Oi Tong for the year 2013/2014. Mr. Kwok is currently an executive director of both Convoy Financial Services Holdings Limited (Stock Code: 1019), a company whose shares are listed on the Main Board of Stock Exchange, and China Leason CBM & Shale Gas Group Company Limited (Stock Code: 8270), a company whose shares are listed on the Growth Enterprise Market of the Stock Exchange (the "GEM"). Mr. Kwok is also an independent non-executive director of Longlife Group Holdings Limited (stock code: 8037), a company whose shares are listed on the GEM.

SENIOR MANAGEMENT

Mr. Sun Xue Gang (孫學剛), aged 38, is a deputy general manager of the Company. His biographical details are set out above under the paragraph headed "Staff Representative Supervisors" above.

Ms. Wang Li Ping (王莉萍), aged 48, graduated from Tianjin Institute of Finance (天津財經學院) (now known as the Tianjin University of Finance and Economics (天津財經大學)), the PRC in 1985. She is an accountant. She was the deputy head of the Financial Department of Tianjin Gas from 2004 to 2005, and has been the manager of the Finance Department of the Company thereafter. Ms. Wang is currently the financial controller of the company.

COMPLIANCE WITH THE CODE

The Company recognises the value and importance of achieving high corporate governance standards to enhance corporate performance, transparency and accountability, earning the confidence of shareholders and the public. The Board strives to adhere to the principles of corporate governance and adopt sound corporate governance practices to meet the legal and commercial standards by focusing on areas such as internal control, fair disclosure and accountability to all shareholders.

The Company's corporate governance practices are based on the code provisions as set out in Appendix 14 to the Listing Rules.

The Company had complied with all the code provisions as set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Listing Rules during the year ended 31 December 2013.

Details of the Company's corporate governance are summarized as below.

KEY CORPORATE GOVERNANCE PRINCIPLES AND THE COMPANY'S PRACTICES

The Board

Roles of Directors

The Board assumes responsibility for leadership and control of the Company and is collectively responsible for appointing and supervising senior management to ensure that the operations of the Group are conducted in accordance with the objectives of the Group. The principal roles of the Board are:

- to lay down the Group's objectives, strategies, policies and business plan;
- to monitor and control operating and financial performance through the determination of the annual budget; and
- to set appropriate policies to manage risks in pursuit of the Group's strategic objectives.

CORPORATE GOVERNANCE REPORT

The Board is directly accountable to the shareholders and is responsible for preparing the accounts.

The Board has delegated the day-to-day management responsibility to the management staff under the instruction/supervision of General Manager and various Board committees. All Board members have separate and independent access to the Company's management to fulfill their duties, and upon reasonable request, to seek independent professional advice under appropriate circumstances and at the Company's expenses. All Directors also have access to the company secretary who is responsible for ensuring that the Board procedures, and all applicable rules and regulations, are followed. Meeting agenda accompanied by relevant Board/committee papers are distributed to the Directors/committee members with reasonable notice in advance of a Board meeting. Minutes of board meetings and meetings of board committees, which recorded in sufficient detail the matters considered by the Board and decisions reached thereat, including any concerns raised or dissenting views expressed by any Director, are kept by the company secretary and open for inspection by the Directors.

During the Reporting Period, the Board maintained a high level of independence, with one-third of the Board comprised of independent non-executive Directors, who had exercised independent judgments. The independent non-executive Directors are expressly identified in all corporate communications whenever the names of the Directors are disclosed.

Board of Directors

Composition of the Board

As at the date of this report, the Board consists of 9 members, comprising 5 executive Directors namely Mr. Zhang Tian Hua (Chairman), Mr. Bai Shao Liang, Ms. Tang Jie, 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 Mr. Zhang Yu Li, Mr. Luo Wei Kun and Mr. Tam Tak Kei, Raymond. One of the independent non-executive Directors, Mr. Tam Tak Kei, Raymond is a qualified accountant with substantial experience in accounting and financial matters. Biographical details of the Directors are set out in the section headed "Directors, Supervisors and Senior Management" on page 13 to page 18 of this report.

The composition of the Board is well balanced. Each of the Directors has relevant expertise and extensive corporate and strategic planning experiences that may contribute to the business of the Group. The Company has complied with the requirements under Rule 3.10(1) and (2) of the Listing Rules for the Period. All independent non-executive Directors also meet the guidelines for assessment of their independence as set out in Rule 3.13 of the Listing Rules.

During the Period, the Board maintained a high level of independence, with one-third of the Board comprised of independent non-executive Directors, who had exercised independent judgments.

Chairman and Chief Executive Officer

As at the date of this report, Mr. Zhang Tian Hua serves as the Chairman of the Company. The Company does not have a chief executive officer. The General Manager (currently Mr. Zhang Guo Jian) acts as the leading officer of the Group in executing the business and other policies and strategies laid down by the Board.

Appointment, Re-election and Removal of Directors

The Company has established the Nomination Committee on 29 March 2012. The Nomination Committee has from time to time identified individuals suitably qualified to become Board members and make recommendations to the Board. The main consideration in selecting candidates for directorships is whether their characters, qualifications and experience are appropriate for the businesses of the Group.

Each of the executive Directors, non-executive Director and independent non-executive Directors has entered into a service contract with the Company for a term of three years commencing from 20 June 2012 and may be terminated by either party by giving at least three months' written notice.

All independent non-executive Directors and non-executive Director have been appointed for a fixed term. Every Director is subject to re-election on retirement by rotation in accordance with the Articles of Association.

Board Meetings and Procedures

The proceedings of the Board are well defined and follow all the code provisions of the Code.

Board members were provided with complete, adequate and timely information to allow them to fulfill their duties properly. In compliance with code provision A.1.3 of the Code, at least 14 days' notice has been given for a regular Board meeting to give all Directors an opportunity to attend. Notice, agenda and board papers of regular Board meetings are sent to all Directors within reasonable time and at least 3 days prior to the meetings.

All Directors also have access to the Company Secretary who is responsible for ensuring that the Board procedures, and all applicable rules and regulations, are followed. Meeting agenda accompanied by relevant Board/committee papers are distributed to the Directors/committee members with reasonable notice in advance of a Board meeting. Minutes of board meetings and meetings of board committees, which recorded in sufficient detail the matters considered by the Board and decisions reached thereat, including any concerns raised or dissenting views expressed by any Director, are kept by the Company Secretary and open for inspection by the Directors.

Regular Board meetings are held normally every 3 months, with additional meetings arranged, if and when required. 7 Board meetings were held in 2013 and the average attendance rate was 100%. Individual attendance records are set out below.

CORPORATE GOVERNANCE REPORT

Board Meetings and General Meetings Attendance

	No. of board meetings attended by each Director during the year 2013	No. of general meetings attended by each Director during the year 2013
Executive Directors		
Jin Jian Ping (Note 1)	4/7	1/2
Dong Hui Qiang (Note 2)	7/7	2/2
Bai Shao Liang	7/7	0/2
Tang Jie	7/7	2/2
Zhang Tian Hua *(Chairman)*	7/7	2/2
Zhang Guo Jian (Note 3)	2/7	0/2
Hou Shuang Jiang (Note 4)	0/7	0/2
Non-executive Director		
Wang Zhi Yong	7/7	0/2
Independent Non-executive Directors		
Zhang Yu Li	7/7	0/2
Luo Wei Kun	7/7	2/2
Tam Tak Kei, Raymond	7/7	0/2

Note 1: Mr. Jin Jian Ping resigned as an executive Director on 1 September 2013 and 4 Board meetings and 1 general meeting were held prior to his resignation.

Note 2: Mr. Dong Hui Qiang resigned as an executive Director on 3 March 2014 and 7 Board meetings and 2 general meetings were held prior to his resignation.

Note 3: Mr. Zhang Guo Jian has been appointed as an executive Director with effect from 1 November 2013 and 2 Board meetings and 0 general meeting were held after his appointment.

Note 4: Mr. Hou Shuang Jiang has been appointed as an executive Director with effect from 3 March 2014 and no Board meeting and no general meeting were held after his appointment.

Note 5: Certain Directors were not able to attend the general meetings held in 2013 due to their unavoidable business engagements.

Directors are free to contribute alternative views at meetings and major decisions would only be taken after deliberation at Board meetings. Directors who are considered having conflict of interests or material interests in the proposed transactions or issues to be discussed would not be counted in the quorum of meeting and would abstain from voting on the relevant resolution. Minutes of the Board and committee meetings are prepared after the meetings and are kept by the Company Secretary and are open for inspection by the Directors.

All Directors have access to the Company Secretary who is responsible for ensuring that the Board procedures are complied with, and advising the Board on compliance matters.

Directors' Duties

Every Director is kept abreast of his responsibilities as a director of the Company and of the conduct, business activities and development of the Company:

- A comprehensive director's handbook is issued to every Director, which sets out guidelines on conduct by making reference to the relevant sections of the statutes or the Listing Rules, and reminds Directors of their responsibilities in making disclosure of their interests and potential conflict of interests.

- Orientation programmes are organised for providing induction to new Directors to help them familiarise with the Company's management, business and governance practices.

- Management provides appropriate and sufficient information to Directors and the committee members in a timely manner to keep them apprised of the latest development of the Group and enable them to discharge their responsibilities. Directors also have independent and unrestricted access to senior executives of the Company.

Corporate Governance Functions

The Board is responsible for performing the corporate governance functions set out in code provision D.3.1 of the Code. As at the date of this Report, the Board has reviewed and monitored: (a) the Company's corporate governance policies and practices, (b) training and continuous professional development of directors and senior management, (c) the Company's policies and practices on compliance with legal and regulatory requirements, (d) the Company's code of conduct and (e) the Company's compliance with the Code disclosures requirements.

CORPORATE GOVERNANCE REPORT

Conduct on Share Dealings

The Company has adopted a code of conduct regarding securities transactions by Directors and supervisors ("Supervisors") of the Company on terms no less exacting than the required standard of dealings as referred to in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules.

The Company, having made specific enquiries to its Directors and Supervisors, confirms that, throughout the the Period, all Directors and Supervisors met the criteria laid down in the said code for securities transactions by Directors and Supervisors.

Independent non-executive Directors

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the independent non-executive Directors are independent to the Company.

Directors' Induction and Continuous Professional Development

All newly appointed Directors received comprehensive, formal training on the first occasion of their appointments and were ensured to have a proper understanding of the businesses and development of the Group and that they were fully aware of their responsibilities under statutes, laws, rules and regulations, the Listing Rules, applicable legal requirements and other regulatory requirements and the business and governance policies of the Company.

Pursuant to code provision A.6.5 of the Code, which has come into effect from 1 April 2012, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. The Company updates the Directors on the latest development regarding the Listing Rules and other applicable regulatory requirements from time to time, to ensure compliance and enhance their awareness of good corporate governance practices.

During the Period, the Company has also organized briefing sessions conducted by the Hong Kong Legal Adviser to the Company for the Directors. The briefing sessions covered topics including the Corporate Governance Code, listed company regulations and disclosure obligations in Hong Kong, discloseable transactions and connected transactions etc.

According to the records provided by the Directors, a summary of training received by the directors since 1 January 2013 up to 31 December 2013 is as follows:

	No of briefing sessions attended by each Director during the year 2013
Executive Directors	
Jin Jian Ping (Note 1)	1
Dong Hui Qiang	1
Bai Shao Liang	1
Tang Jie	1
Zhang Tian Hua *(Chairman)*	
Zhang Guo Jian (Note 2)	1
Non-executive Director	
Wang Zhi Yong	1
Independent Non-executive Directors	
Zhang Yu Li	1
Luo Wei Kun	1
Tam Tak Kei, Raymond	1

Note 1: Mr. Jin resigned from office as the chairman of the Board and an executive Director with effect from 1 September 2013.

Note 2: The appointment of Mr. Zhang Guo Jian to be an executive Director has been approved by the Shareholders at the general meeting held on 1 November 2013 and become effective on the same date.

CORPORATE GOVERNANCE REPORT

Board Committees

The Board is supported by three committees as at the date of this report, namely the Remuneration Committee, Nomination Committee and Audit Committee. Each of them has defined terms of reference covering its duties, powers and functions.

The Board and the committees are provided with sufficient resources to discharge their duties including, retention of outside advisers, if necessary, at the cost of the Company, to provide advice on any specific matter.

All committees comprise non-executive Directors. The chairmen of the respective committees report regularly to the Board, and, as appropriate, make recommendations on matters discussed. The governance structure and meetings attendance record of the Committees are set out below.

	Major roles and functions	**Composition during 2013**	**Attendance in 2013**
Audit Committee	• To make recommendation to the Board on the appointment, reappointment and removal of external auditor • To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards • To develop and implement policy on the engagement of an external auditor to supply non-audit services and monitor the integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and significant financial reporting judgments contained in them	Zhang Yu Li *(Chairman)* Luo Wei Kun Tam Tak Kei, Raymond	100% 100% 100%

Total number of meetings held in 2013: 2

	Major roles and functions	Composition during 2013	Attendance in 2013
Remuneration Committee	• To consult the chairman of the Board about their remuneration proposals for other executive Directors	Zhang Tian Hua	100%
		Jin Jian Ping (note 1)	100%
		Luo Wei Kun *(Chairman)*	100%
	• To make recommendation to the Board on the Company's remuneration policy and structure for all Directors' and senior management	Tam Tak Kei, Raymond	100%
	• To determine, with delegated responsibility, the remuneration packages of individual executive Directors and senior management		
Total number of meetings held in 2013: 2			
Nomination Committee	• To review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis	Zhang Tian Hua *(Chairman)*	100%
		Jin Jian Ping (note 2)	100%
		Zhang Yu Li	100%
	• To identify individuals suitably qualified to become Board member and assess the independence of independent non-executive Directors	Luo Wei Kun	100%
Total number of meetings held in 2013: 4			

The terms of reference of the Nomination Committee was revised on 28 August 2013 and the Code is available on the website of the Stock Exchange.

Note 1: Mr. Jin resigned from office as a member of the remuneration committee on 1 September 2013. Prior to the said date, 1 remuneration committee meeting had been held during his tenure and he had attended 1 meetings.

Note 2: Mr. Jin resigned from office as the chairman of the nomination committee on 1 September 2013. Prior to the said date, 2 nomination committee meeting had been held during his tenure and he had attended 2 meetings.

Audit Committee

During 2013, the Audit Committee met 2 times and performed the major works as below:

1. reviewed the annual financial results and report for the year ended 31 December 2012 and interim financial results and report for the six months ended 30 June 2013;

2. reviewed the internal audit department's report regarding the reviewing and procedures of the internal control and risk management of the Company.

The Audit Committee had also reviewed this annual report, and confirmed that this annual report complies with the applicable standard, the Listing Rules and other applicable legal requirements and that adequate disclosures have been made. There is no disagreement between the Directors and the Audit Committee regarding the selection and appointment of the external auditors.

Remuneration Committee

During 2013, the Remuneration Committee met 2 times and performed the major works as below:

1. reviewed and discussed the remuneration policy and structure of the Company and the remuneration and performance of duties of the Directors and senior management in the Year under review;

2. determine the remuneration packages of individual executive directors and senior management.

Nomination Committee

During 2013, the Nomination Committee met 4 times and performed the major works as below:

1. examined the structure, size and composition of the Board, to ensure the Directors have the expertise, skills and experience required to meet the Company's business; assessed the independency of all independent non-executive Directors;

2. reviewed and discussed the nomination of Zhang Guo Jian as an executive Director and made recommendations to the Board in this regard; and

3. reviewed and discussed the nomination of Hou Shuang Jiang as an executive Director and made recommendations to the Board in this regard.

Remuneration of Directors and Senior Management

The Group paid or accrued total Directors' remuneration amounts of approximately RMB50,000, RMB33,333, RMB50,000, RMB50,000, RMB50,000, RMB9,000, RMB50,000, RMB50,000, RMB50,000 and RMB100,000 to Mr. Zhang Tian Hua, Mr. Jin Jian Ping, Mr. Dong Hui Qiang, Ms. Tang Jie, Mr. Bai Shao Liang, Mr. Zhang Guo Jian, Mr. Wang Zhi Yong, Mr. Zhang Yu Li, Mr. Luo Wei Kun and Mr. Tam Tak Kei, Raymond respectively, for the year ended 31 December 2013.

Directors' remuneration is determined based on a variety of factors such as market conditions and responsibilities assumed by each Director. As at 31 December 2013, there was no arrangement in which the Directors waived their remuneration.

Details of remuneration paid to members of senior management falls within the following bands:

	Number of Individuals:
RMB100,000 or below	0
RMB100,000 to RMB500,000	2

Company Secretary

The Company does not engage an external service provider as its company secretary. Mr. Kwok Shun Tim, being the Company Secretary of the Company, has taken no less than 15 hours of relevant professional training during the year ended 31 December 2013 and has complied with Rule 3.29 of the Listing Rules in relation to the professional training requirements.

The Company Secretary reports directly to the Board. All the Directors have easy access to the Company Secretary and responsibility of the Company Secretary is to ensure the board meetings are properly held and are in compliance with the relevant laws and regulations. The Company Secretary is also responsible for giving advices with respect to the Directors' obligations on securities interest disclosure, disclosure requirements of discloseable transactions, connected transactions and inside information. The Company Secretary shall provide advices to the Board with respect to strict compliance with the laws, requirements and the Company's articles of association at appropriate times. As the Company's principal channel of communication with the Stock Exchange, the Company Secretary assists the Board in implementing and strengthening the Company's corporate governance code so as to bring the best long term value to shareholders. In addition, the Company Secretary also provides relevant information updates and continuous professional development to the Directors with respect to legal, supervisory and other continuous obligations for being a director of a listed company at appropriate times. The Company Secretary is also responsible for supervising and managing the Group's relationship with investors.

CORPORATE GOVERNANCE REPORT

Accountability and Audit

Financial Reporting

The Directors are responsible for overseeing the preparation of the annual accounts which give a true and fair view of the Group's state of affairs of the results and cash flow for the year. In preparing the accounts for the year ended 31 December 2013, the Directors have:

- selected suitable accounting policies and applied them consistently; and

- made judgements and estimates that are prudent and reasonable; and ensured the accounts are prepared on the going concern basis.

The Company recognises that high quality corporate reporting is important in reinforcing the trustworthy relationship with the Company's stakeholders and aims at presenting a balanced, clear and comprehensible assessment of the Company's performance, position and prospects in all corporate communications. The annual and interim results of the Company are announced in a timely manner within the required limits after the end of the relevant periods.

A statement by the auditors about their reporting responsibilities is included in the Independent Auditor's Report on page 55 to page 134. There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

Internal Control

The Board, through the Audit Committee, has reviewed the effectiveness of the Company's system of internal control over financial, operational and compliance issues for the year 2013. The Audit Committee concluded that, save as disclosed below, in general, the Company has set up a sound control environment and installed necessary control mechanisms to monitor and correct non-compliance. The Board, through the review of the Audit Committee, is satisfied that the Group in 2013, fully complied with the code provisions on internal controls as set forth in the Code.

Reference is made to the announcement of the Company dated 25 February 2014 (the "First Announcement") and the announcement of the Company dated 12 March 2014 (the "Second Announcement") in relation to continuing connected transaction in relation to gas supply.

As disclosed in the First Announcement and the Second Announcement, the Group had two breaches of Chapter 14A of the Listing Rules which were resulted from the Company's lack of knowledge of the fact that the counterparties are associate/subsidiary of Tianjin Gas. As confirmed by the Company, the said lack of knowledge was mainly due to the large number of subsidiaries and associates of Tianjin Gas and the inability of the Company to identify all of these subsidiaries or associates of Tianjin Gas before entering into a transaction. To prevent reoccurrence of similar breaches in future, the Company has reinforced its internal control measures in identifying connected transactions of the Company, in particular, connected transactions with Tianjin Gas, which are summarized below:–

1. the Company has modified its contract approval procedures and delegated the responsibility of identifying connected transactions before the entering of any contracts by the Company (the "Proposed Transactions") to a department of the Company (the "Department"). The Department, upon being notified of any Proposed Transactions, is required to perform a check (the "Tianjin Gas Check") with Tianjin Gas's Assets Management Department (which is responsible for maintaining a list of subsidiaries and associates of Tianjin Gas) on the identity of the counterparties to the Proposed Transactions;

2. the Company is in the course of compiling a list of connected persons (as defined in the Listing Rules) (the "List"). To ensure the List is a complete list, the Company will request each of the directors, former directors for the past 12 months, supervisors, former supervisors for the past 12 months, chief executives and substantial shareholders of the Group to provide a list of associate (as defined in the Listing Rules). Upon compilation of the List, the Department will be required to perform a check on the identity of the counterparties to the Proposed Transactions against the List in addition to the Tianjin Gas Check. The Company would require its connected persons to notify the Company upon any change of its information in the List. The Company would also proactively check with its connected persons if there has been any change annually; and

3. the Department will also obtain the business license and the articles of association of the counterparties to any Proposed Transactions of RMB1,500,000 or above or which is not of normal commercial terms before the entering into of such transactions.

As the non-compliance occurred out of the Company's lack of knowledge of the counterparties being subsidiary/associate of Tianjin Gas, and thus connected persons of the Company, the Board is of the view that, the above measures will enable the Company to identify Tianjin Gas's subsidiaries/associates before entering into a transaction in the future and thus are sufficient to prevent reoccurrence of similar events.

External Auditors

The Group's external auditors are Deloitte Touche Tohmatsu. The Audit Committee is mandated to ensure continuing auditors' objectivity and safeguard independence of the auditors, and it has:

- determined the framework for the type and authorisation of non-audit services for which the external auditors may provide. In general, the engagement of the external auditors to perform non-audit services is prohibited except for tax-related services; and

- agreed with the Board on the policy relating to the hiring of employees or former employees of the external auditors and monitored the applications of such policy.

During 2013, the fees paid to the Company's external auditors for audit services amounted to approximately RMB1,210,000 and for non-audit related activities (which are account review fees) amounted to approximately RMB398,000.

The Group has not employed any staff who was formerly involved in the Group's statutory audit.

Investor Relations

The Company places great emphasis on its relationship and communication with investors. In order to keep shareholders well informed of the business activities and direction of the Group, information about the Group has been provided to the shareholders through financial reports and announcements. The Company has established its own corporate website http://www.hklistco.com/1265 as a channel to facilitate effective communication with its shareholders and the public.

Communications with Shareholders and Investors

The Company endeavors to maintain an on-going dialogue with the Shareholders and in particular, through annual general meetings or other general meetings to communicate with the Shareholders and encourage their participation.

The Company's annual general meeting allows the Directors to meet and communicated with shareholders. The Company ensures that shareholders' views are communicated to the Board. The Chairman of the annual general meeting proposes separate resolutions for each issue to be considered.

PROCEDURES FOR DIRECTING SHAREHOLDERS' ENQUIRIES TO THE BOARD

Shareholders can make enquiries directly to the Company through written enquiries or requests in respect of their rights to the following principal place of business of the Company:

Address:
9th Floor, Ranqi Building
28 Si Ma Road, Nankai,
Nankai District
Tianjin, PRC
Tel No.: (86) 022-87569972
Fax No.: (86) 022-87569971

PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY MEETING

Pursuant to Article 53(3) of the Articles of Association, where shareholders holding an aggregate of 10 percent or more of the issued shares of the Company vested with voting rights request in writing to convene an extraordinary general meeting, the board of directors shall convene an extraordinary general meeting within two months thereof.

Pursuant to Article 74 of the Articles of Association, Shareholders who request to convene an extraordinary general meeting or a class shareholders' meeting shall follow the procedures below:

(1) Shareholder(s) who hold(s) in aggregate 10 per cent or more of the shares vested with voting rights in such a meeting may sign one or several written requisitions in the same form requesting the board of directors to convene an extraordinary general meeting or a class shareholders' meeting, and the subject matter of the meeting shall be specified. Upon receipt of the said written requisitions, the board of directors shall convene an extraordinary general meeting or a class shareholders' meeting as soon as possible. The calculation of the number of shares held as aforesaid shall be made as at the date of the written requisitions.

(2) If the board of directors fails to give notice of meeting within 30 days of the receipt of the aforesaid written requisitions, the shareholders making such requests may convene a meeting within four months of the receipt of the said requisitions by the board of directors. The procedure for convening the meeting shall, as far as possible, be the same as those for convening a shareholders' meeting by the board of directors.

All reasonable expenses incurred in convening and holding a meeting by the shareholders as a result of the failure of the board of directors to convene such meeting upon the aforesaid requisitions shall be borne by the Company and the same shall be deducted from outstanding payments due to the directors who are in default.

PROCEDURES FOR SHAREHOLDERS' ENQUIRES TO BE PUT TO THE BOARD

Pursuant to Article 46 of the Articles of Association, among others, a holder of ordinary shares of the Company shall enjoy the following rights:

- to supervise and manage the business, operation and activities of the Company, and to make proposals or enquiries in relation thereto;

- to receive information in accordance with provisions of the Articles of Association, including:

  A. the Articles of Association upon payment of the cost thereof;

  B. upon payment of reasonable charges, be entitled to inspect and copy:

     (i) all parts of the register of shareholders;

     (ii) personal particulars of the directors, supervisors, managers and other senior management officers of the Company, including (a) present and former names and aliases; (b) principal address (domicile); (c) nationality; (d) full-time occupation and all other part-time occupations or positions; and (e) identification document and the number thereof.

     (iii) the share capital of the Company;

     (iv) a report on the total nominal value, number, highest and lowest prices and all payments made by the Company in respect of each class of its shares repurchased since the last financial year;

     (v) minutes of shareholders' meetings.

Pursuant to Article 79 of the Articles of Association, a shareholder shall be entitled to inspect copies of minutes of meeting(s) free of charge during office hours of the Company. Upon the request of any shareholder for a copy of the relevant minutes of meeting, the Company shall send out the copy of the minutes so requested within seven days of the receipt of the reasonable payment therefore.

PROCEDURES FOR PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS BY SHAREHOLDERS

Pursuant to Article 51(17) of the Articles of Association, the shareholders' general meeting shall exercise its power to review any motion put forward by shareholders representing in aggregate 5 percent or more of the voting rights of the Company.

Pursuant to Article 55 of the Articles of Association, when the Company convenes an annual general meeting, shareholder(s) who holds 5 percent or more of the voting rights of the Company shall be entitled to propose new motions in writing to the Company. The Company shall include those motions falling within the scope of responsibility of the shareholders' general meeting into the agenda of such meeting, but such motions shall be sent to the Company within 30 days after the issue of the aforesaid notice of meeting.

Pursuant to Article 89 of the Articles of Association, the procedures for shareholders of the Company to propose a person for election as a Director are set out below.

– Starting from the second day upon the despatch of the notice of the general meeting appointed for the election of Director by the Company, a Shareholder is entitled to lodge a notice in writing to the Company to propose a person for election as a Director.

– The minimum length of the period, during which the aforesaid notice in writing is lodged with the Company, shall be at least seven days.

– In any event, the aforesaid period shall end no later than 7 days prior to the date of such general meeting.

– In the aforesaid period of notice, such proposed Director shall give notice to the Company stating his/her willingness to be elected.

The Board of Directors is pleased to present the audited consolidated financial statements of the Group for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The principal activities of the Company are the operation and management of gas pipeline infrastructure and the sale and distribution of piped gas. One of the subsidiaries, 烏盟乾生津燃公用事業有限責任公司 (Kin Sang Jinran Public Utilities Company Limited*) (formerly known as 烏盟乾生天聯公用事業有限責任公司 (Kin Sang Tianlian Public Utilities Company Limited*) is dormant. The other subsidiary 天津天聯投資有限公司 (Tianjin Tianlian Investment Company Limited*) is engaged in investment activities. The Group completed the acquisition of the additional 39% equity interests of 貴州津維礦業投資有限公司 (Guizhou Jinwei Mining Investment Company Limited*) ("Guizhou Jinwei") and Guizhou Jinwei completed its acquisition of 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 County New") on 30 June 2012. Guizhou County New owns a mining right of a lead-zinc mine located in Taijiang County, Guizhou Province and the Group commenced the mining and trading of lead and zinc from year 2012.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2013 are set out in the consolidated statement of comprehensive income on page 59 of this annual report.

No dividend was proposed during 2013, nor has any dividend been proposed since the end of the year ended 31 December 2013 (2012: RMB0.016 per share).

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group is set out on page 3 of the annual report.

SHARE CAPITAL

Details of the Company's share capital are set out in note 25 to the consolidated financial statements.

* *For identification purposes only*

DIRECTORS' REPORT

RESERVES

The reserve available for distribution to shareholders is the amount which is the lesser of the accumulated profits carried forward at the balance sheet date after deduction of the current year's appropriations to the statutory surplus reserve determined under PRC accounting standards and that determined under general accepted accounting principles of Hong Kong.

As at 31 December 2013, the Company's reserves available for distribution to shareholders, comprised the retained profits determined under PRC accounting standards of approximately RMB518 million (2012: RMB475 million).

TRANSFERS TO RESERVES

Profits attributable to shareholders before dividends of RMB18,139,000 (2012: RMB13,567,000) have been transferred to reserves. Other movements in the reserves are set out in note 26 to the financial statements.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or existed during the year.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group and the Company are set out in note 13 to the consolidated financial statements.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Company for the last five financial years is set out on page 136.

DIRECTORS AND SUPERVISORS

The Directors and Supervisors of the Company during the Year and up to the date of this report were:

Executive Directors:

Mr. Zhang Tian Hua *(Chairman)*
Mr. Jin Jian Ping (resigned on 1 September 2013)
Mr. Dong Hui Qiang (resigned on 3 March 2014)
Mr. Bai Shao Liang
Ms. Tang Jie
Mr. Zhang Guo Jian (appointed on 1 November 2013)
Mr. Hou Shuang Jiang (appointed on 3 March 2014)

Non-executive Director:

Mr. Wang Zhi Yong

Independent Non-executive Directors:

Professor Zhang Yu Li
Mr. Luo Wei Kun
Mr. Tam Tak Kei, Raymond

Staff Representative Supervisors:

Mr. Sun Xue Gang
Ms. Hao Li

Shareholders Representative Supervisor:

Mr. Cao Shu Jing

Independent Supervisors:

Mr. Dou Run Liang (appointed on 14 June 2013)
Mr. Jiang Nian

The Company has received from each of the independent non-executive directors their respective confirmation of independence pursuant to the Listing Rules and considers that they remain independent.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the Directors, namely Mr. Zhang Tian Hua, Mr. Bai Shao Liang, Ms. Tang Jie, Mr. Wang Zhi Yong, Professor Zhang Yu Li, Mr. Luo Wei Kun and Mr. Tam Tak Kei Raymond has entered into a service agreement with the Company for an initial term of three years.

Mr. Zhang Guo Jian, an executive Director, has entered into a service contract with the Company for a term commencing from 1 November 2013 and ending on the conclusion of the annual general meeting of the Company to be held in 2015.

Mr. Hou Shuang Jiang, an executive Director, has entered into a service contract with the Company for a term commencing from 3 March 2014 and ending on the conclusion of the annual general meeting of the Company to be held in 2015.

Each of the Supervisors, namely Mr. Cao Shu Jing and Mr. Jiang Nian has entered into a service agreement with the Company for a term of three years.

Mr. Dou Run Liang, an independent Supervisor, has entered into a service contract with the Company for a term commencing from 14 June 2013 and ending on the conclusion of the annual general meeting of the Company to be held in 2015.

Save as disclosed above, none of the Directors nor Supervisors has a service contract with the Company or its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

TERM OF APPOINTMENT OF NON-EXECUTIVE DIRECTORS

The appointment of all non-executive Directors (including independent non-executive Directors) are for three years.

POLICY FOR DIRECTORS' REMUNERATION

The remuneration of the Directors is determined by the Remuneration Committee with reference to the directors' respective qualifications and experiences. During the Period, there was no arrangement in which Directors waived their remuneration.

DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' INTERESTS IN SECURITIES

As at 31 December 2013, the interests and short positions of the Directors, chief executive and Supervisors in the shares, underlying shares or debentures of the Company and 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 of the Company as referred to in the Listing Rules 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 3 under the section "Substantial Shareholders")	Held by controlled corporation	235,925,000	12.83%/17.62%

Save as disclosed above, as at 31 December 2013, none of the Directors, chief executive and Supervisors had interest 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 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 31 December 2013, the following, not being a Director or Supervisor, have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and required to be entered in the register maintained 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 天津燈塔塗料有限公司 (Note 1)	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 ("Tianjin Gas")	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 (Note 2)	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 31 December 2013, 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 Domestic 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 (note 1)	14,500,000	0.79%/2.90%
	Held by controlled corporation (note 2)	30,000,000	1.63%/6.00%
Law Suet Yi	Interests held jointly with another person (note 1)	14,500,000	0.79%/2.90%
	Interest of spouse (note 3)	30,000,000	1.63%/6.00%
The Waterfront Development Group Limited	Beneficial owner (note 2)	30,000,000	1.63%/6.00%

Notes:

1. 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 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.

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 31 December 2013, the Directors are not aware of any person, not being a Director, Chief Executive or Supervisor, have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and required to be entered in the register maintained by the Company pursuant to section 336 of the SFO.

DIRECTORS' INTERESTS IN CONTRACTS

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2013, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH NON-COMPETE UNDERTAKING

On 9 December 2003, Tianjin Gas has entered into a non-competition agreement with the Company. Under the non-competition agreement, save for Tianjin Gas's then existing piped gas operations in Tianjin City, which is outside the scope of operation of the Group in Tianjin at that time (the "Previous Operational Locations"), Tianjin Gas has irrevocably undertaken and covenanted with the Company that, except with the Company's prior written consent, it would not and would procure that its subsidiaries should not, carry on for their own accounts or for any other persons to carry on and/or have an interest in, any business of which is or may be in competition with the Group's business within the Previous Operational Locations or outside its existing operating district in Tianjin City.

On 28 December 2010, Tianjin Gas further enters into the supplemental non-competition agreement (the "Supplemental Non-Competition Agreement") to supplement certain terms of the non-competition agreement dated 9 December 2003, pursuant to which the meaning of "subsidiary(ies)" as mentioned in the above-mentioned undertaking has been amended to include "associates" under the definition of the Rules Governing the Listing of Securities on Growth Enterprise Market (the "GEM Listing Rules") and the Previous Operational Locations have been amended to cover the operational locations of the Group (i.e. Xiao Hai Di（小海地）of Hexi District（河西區）, part of Jinnan District（津南區）, Xiqing District（西青區）, Hangu District（漢沽區）and Ninghe County（寧河縣）) which have been served by the Group's pipelines as well as Hedong District（河東區）and Heping District（和平區）after completion of the Proposed Assets Transfer which are served by the Transferred Assets.

Furthermore, pursuant to the Supplemental Non-Competition Agreement, Tianjin Gas further undertakes that (A) where business opportunities which may compete with the business of the Group arises, or if Tianjin Gas desires to sell any of its existing piped gas business or the underlying assets for the piped gas business in Tianjin, Tianjin Gas shall give the Company's notice in writing and the Company shall have a right of first refusal to take up such business opportunities. The Company shall only exercise the right of first refusal upon the approval of all the independent non-executive Directors (who do not have any interest in such proposed transactions); and (B) regarding the assets which have not yet been transferred to the Company by Tianjin Gas in Hedong District, Heping District, Xiqing District, Hangu District and Ninghe County, the Company has the right to require Tianjin Gas to sell these assets to the Company at any time, subject to compliance with the applicable requirements under the relevant PRC laws as well as the Listing Rules, at a price that is fair and reasonable, and acceptable to the independent non-executive Directors (who do not have any interest in such proposed transaction).

Pursuant to the non-competition agreement and the Supplemental Non-Competition Agreement (together, the "Non-compete Undertaking"), the independent non-executive Directors are responsible for reviewing and considering whether or not to exercise such rights and are entitled, on behalf of the Company, to review the information provided by Tianjin Gas in respect of the compliance and enforcement of the Non-compete Undertaking at least on an annual basis. During the Reporting Period, the independent non-executive Directors have reviewed the implementation of the Non-compete Undertaking and have confirmed that Tianjin Gas has been in full compliance with the Non-compete Undertaking and there was no breach by Tianjin Gas.

Also, the Company has received from Tianjin Gas an annual declaration on compliance with the Non-compete Undertaking and considers Tianjin Gas has complied with the Non-compete Undertaking.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

COMPETING INTERESTS

Each of Mr. Zhang Tian Hua (the executive Director and the chairman of the Company), Mr. Jin Jian Ping (the then executive Director and the chairman of the Company) and and Mr. Dong Hui Qiang (the then executive Director) holds positions with Tianjin Gas. They do not have any equity interest in Tianjin Gas nor the Company. Save as their positions with Tianjin Gas, each of the Directors and their respective associates has confirmed that he/she does not have any interest in a business which competes or may compete with the business of the Group.

In the wholesale distribution of natural gas, no competition between Tianjin Gas and the Group exists given the fact that the Group only supplies natural gas to end users but is not engaged in wholesale distribution business. In the provision of piped natural gas to end users, Tianjin Gas and the Group are not competing with each other due to the nature of the piped gas supply business, which required fixed pipelines be installed and connected to the customers' pipelines, it is practically infeasible for more than one set of pipelines connecting to the same customer's pipeline. Besides, pursuant to the Non-Compete Undertaking, Tianjin Gas undertakes not to compete with the Group. Given the terms of the Non-Compete Undertaking given by Tianjin Gas and the inherent nature of pipe gas supply business, the Directors are of the view that Tianjin Gas does not compete with the Group's operations in the provision of piped natural gas. For details of the Non-Compete Undertaking, please refer to the paragraph headed "Compliance with Non-Compete Undertaking" above.

Save as disclosed above, as at 31 December 2013, the Directors are not aware of any business or interest of the Directors, the controlling shareholders of the Company and their respective associates, that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the year ended 31 December 2013, the Company had adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in the Listing Rules. The Company had also made specific enquiry with all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors.

CONNECTED TRANSACTIONS

During the Period, the Group has the following non-exempt connected transaction or continuing connected transactions (the "Connected Transactions") and the Company has fully complied with the announcement, reporting and/or independent shareholders' approval requirements under the Listing Rules (where applicable):

(1) Gas Transportation Transaction

On 28 October 2011, Tianjin Gas and the Company entered into a gas transportation agreement (the "2012 Gas Transportation Contract"). Pursuant to the 2012 Gas Transportation Contract, the Company agreed to allow Tianjin Gas to transmit natural gas to end users via the gas pipelines owned and managed by the Company. In return, Tianjin Gas paid to the Company the gas transportation fees (the "2012 Gas Transportation Fees"). The annual caps for the 2012 Gas Transportation Fees in respect of the three years ending 31 December 2014 were RMB19,520,000, RMB32,480,000 and RMB36,272,000, respectively.

Tianjin Gas is one of the promoters of the Company and as at the date of this report held 943,517,487 domestic shares of the Company, representing approximately 51.30% shareholding of the Company. Therefore, Tianjin Gas is a controlling shareholder of the Company and a connected person of the Company.

The entering into the 2012 Gas Transportation Contract constituted a continuing connected transaction of the Company and was subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules. This transaction was approved by the independent Shareholder in December 2011.

In light of the lower than expected volume of gas transmitted through the high pressure gas pipeline extending from the cross point of Dong Jin Road(東金路)and Yang Bei Road(楊北公路)in Dongli District(東麗區), Tianjin to the cross point 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 (the "Beihuan Pipeline"), and hence a lower than expected gas transportation fee generated from the Beihuan Pipeline since 1 October 2011, the Company has entered into a supplemental agreement (the "Supplemental Agreement") with Tianjin Gas on 27 March 2012, pursuant to which the Company and Tianjin Gas have agreed, inter alia, that (i) the natural gas transportation fees payable by Tianjin Gas for the Beihuan Pipeline for a particular month will be fixed at RMB500,000 (the "Fixed Minimum Amount") in the event that the actual gas transportation fees payable by Tianjin Gas for the Beihuan Pipeline under the 2012 Gas Transportation Contract calculated based on the actual volume of natural gas and actual distance transmitted at RMB0.8 per 1,000 cubic metres per kilometer (the "Formula") for that month is lower than RMB500,000. However, if the actual gas transportation fees payable by Tianjin Gas for the Beihuan Pipeline for a particular month is equal to or more than RMB500,000, the fee payable by Tianjin Gas to the Company shall remain unchanged under the 2012 Gas Transportation Contact (i.e. calculated based on the Formula); (ii) Tianjin Gas will pay to the Company the shortfall (the "Shortfall") between the monthly actual gas transportation fees for the Beihuan Pipeline and the Fixed Minimum Amount for the period commencing from 1 October 2011 to 27 March 2012 within five business days after 27 March 2012.

Jinran China Resources Gas Co., Ltd. (the "Joint Venture") is held as to 51% by Tianjin Gas and is therefore a subsidiary of Tianjin Gas under the Listing Rules. To contribute its share of registered capital of RMB2.55 billion (representing 51% equity interest in the Joint Venture) of the Joint Venture, Tianjin Gas has injected its natural gas-related operational assets (which do not include the domestic shares of the Company held by Tianjin Gas) in or around January 2013 (the "Assets Injection").

Following the Assets Injection, since April 2013, the gas transportation services recipient under the 2012 Gas Transportation Contract has become the Joint Venture instead of Tianjin Gas and the Gas Transportation Fees have been paid to the Company by the Joint Venture instead of Tianjin Gas.

The amount of transactions made between Tianjin Gas or the Joint Venture and the Company for the Period in respect of gas transportation pursuant to the 2012 Gas Transportation Contract (as supplemented by the Supplemental Agreement) amounted to approximately RMB9,711,000 (excluding tax), and which were within the relevant annual cap approved by the Shareholders.

For details, please refer to the Company's announcements dated 28 October 2011, 27 March 2012 and 9 April 2014 and the Company's circular dated 25 November 2011.

(2) Gas Purchase Contracts

On 28 October 2011, Tianjin Gas and the Company entered into three conditional gas supply contracts (the "New Gas Supply Contracts") in respect of the supply of natural gas by Tianjin Gas to the Company for the 12 months ended/ending 31 December 2012, 2013 and 2014, respectively.

Tianjin Gas is one of the promoters of the Company and as at the date of this report held 943,517,487 domestic shares of the Company, representing approximately 51.30% shareholding of the Company. Therefore, Tianjin Gas is a controlling shareholder of the Company and a connected person of the Company.

As one or more of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules for the annual caps for the New Gas Supply Contracts of RMB1,430 million for the year ended 31 December 2012, RMB1,508 million for the year ended 31 December 2013 and RMB1,560 million for the year ending 31 December 2014 exceed 5%, the New Gas Supply Contracts were subject to, inter alia, the independent Shareholders' approval, reporting, annual review and announcement requirements under the Listing Rules.

The New Gas Supply Contracts were duly approved by the independent Shareholders in December 2011.

Following the Assets Injection, since April 2013, the natural gas provider under the New Gas Supply Contracts has become the Joint Venture instead of Tianjin Gas and the Company has been instructed by Tianjin Gas to pay the gas charge to the Joint Venture instead of Tianjin Gas.

During the Period, the Company had purchased natural gas of approximately RMB1,149,175,000 (excluding tax) from Tianjin Gas or the Joint Venture which transaction amount was within the relevant annual cap approved by the Shareholders.

For details, please refer to the Company's announcements dated 28 October 2011 and 9 April 2014 and Company's circular dated 25 November 2011.

(3) Pipeline Design Agreement

On 31 December 2012, the Company and Tianjin Gas Heat Planning and Design Institute (天津市燃氣熱力規劃設計院) (the "Design Institute") entered into the pipeline design agreement (the "2013 Pipeline Design Agreement") in respect of the renewal of provision of pipeline design service by Design Institute to the Company for the three years ending 31 December 2015, with an annual cap of RMB7,040,000, RMB7,780,000 and RMB8,780,000 respectively.

The Design Institute is wholly-owned by Tianjin Gas (a controlling shareholder of the Company) and thus a connected person of the Company.

As each of the applicable percentage ratios for the caps of the transaction contemplated under the 2013 Pipeline Design Agreement for each of the twelve months ended 31 December 2013, and ending 31 December 2014 and 31 December 2015 is, on an annual basis, more than 0.1% but less than 5%, the 2013 Pipeline Design Agreement is exempt from the independent shareholders' approval requirement and is only subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

During the Period, the Company had paid a design fee of approximately RMB2,114,000 to the Design Institute which transaction amount was within the relevant annual cap under the 2013 Pipeline Design Agreement.

For details, please refer to the Company's announcement dated 31 December 2012.

(4) Pipeline Construction Services

On 12 July 2013, the Company and Tianjin Gas entered into a pipeline construction framework agreement (the "Pipeline Construction Framework Agreement") in respect of which Tianjin Gas and/or its associated companies may bid 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 12 July 2013 to 31 December 2015, with an annual cap for the transactions contemplated under the Pipeline Construction Framework Agreement (in terms of contract sum committed under the construction service contracts if awarded as a result of successful bid) of RMB20,000,000, RMB20,000,000, and RMB20,000,000 respectively.

Tianjin Gas is one of the promoters of the Company and as at the date of this Report held 943,517,487 domestic shares of the Company, representing approximately 51.30% shareholding of the Company. Therefore, Tianjin Gas is a controlling shareholder of the Company and a connected person of the Company.

During the Period, the contract sum committed under the construction service contracts awarded by the Company to Tianjin Gas and/or its associated companies as a result of successful bid was RMB3,647,000, which amount was within the relevant annual cap. The aggregate transaction amount of all the said construction service contracts that have been incurred in the financial year amounted to approximately RMB3,452,000.

For details, please refer to the announcement of the Company dated 12 July 2013.

(5) Sale of Gas to Taihua Gas

The Group has been supplying natural gas to Taihua Gas since May 2011.

Taihua Gas is owned as to 70% by Tianjin Gas (the controlling shareholder of the Company) and thus a connected person of the Company.

The total sales by the Group to Taihua Gas (excluding tax) amounted to approximately RMB153,031,000 for the year ended 31 December 2013.

Under Chapter 14A of the Listing Rules, such sale of natural gas constituted non-exempt continuing connected transactions which should be subject to the reporting, announcement, annual review and independent shareholders' approval requirements. Due to an inadvertent mistake, the Company has omitted to comply with the said requirements under Chapter 14A of the Listing Rule.

For details of the breach, please refer to the announcement of the Company dated 25 February 2014.

(6) Gas Sale to Zhongyou Gas

The Group had been supplying natural gas to Zhongyou Gas since May 2011 until July 2013.

Zhongyou Gas was owned as to 40% by Tianjin Gas, the controlling shareholder of the Company, and thus a connected person of the Company.

The total sales by the Group to Zhongyou Gas (excluding tax) amounted to approximately RMB17,566,000 for the period from 1 January 2013 to July 2013.

Under Chapter 14A of the Listing Rules, such sale of natural gas constituted non-exempt continuing connected transactions which should be subject to the reporting and announcement requirements but were exempted from independent shareholders' approval requirements for the period from 1 January 2013 to July 2013. Due to an inadvertent mistake, the Company had omitted to comply with the said requirements under Chapter 14A of the Listing Rules for such sale. However, such sale has ceased in July 2013.

For details of the breach, please refer to the announcement of the Company dated 12 March 2014.

In accordance with the provisions of the Listing Rules, the independent non-executive directors have reviewed the Connected Transactions. In their opinion, the Connected Transactions were:

(i) in the ordinary and usual course of business of the Group;

(ii) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable than terms available to or from independent third parties;

(iii) in accordance with relevant agreements governing such transactions; and

(iv) on terms that are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

In addition, the Company's auditors have also confirmed in writing to the Board (copied to the Stock Exchange), the above Connected Transactions:

(1) have received the approval of the Company's board of directors;

(2) nothing had come to their attention which caused them to believe that:

- the Connected Transactions had not been entered into in accordance with the relevant agreements governing the transactions; and

- the Connected Transactions had not been entered into in accordance with the pricing policies of the Group if the transactions involve provision of goods or services by the Group; and

- the transaction amount occurred in 2013 for each of the Connected Transactions was not within the respective cap amount for the financial year ended 31 December 2013 as disclosed in the Company's announcement on 28 October 2011, 27 March 2012, 31 December 2012 and 12 July 2013.

  The Company did not set a maximum annual value in respect of the gas sales to Taihua Gas and Zhongyau Gas for the year ended 31 December 2013, and accordingly, the Company's auditor have not performed the procedures described in Rule 14A.38(4) of the Listing Rules with respect to these continuing connected transactions.

CONNECTED TRANSACTIONS IN RELATION TO PURCHASE OF GAS METRES

On 30 December 2013, the Company entered into two purchase and sales agreements with 天津市裕民燃氣表具有限公司 (Tianjin Yumin Gas Meter Co., Ltd*) ("Tianjin Yumin"), pursuant to which Tianjin Yumin agreed to sell and the Company agreed to purchase 9811 gas metres and 17,052 gas metres at an aggregate purchase price of RMB3,433,850 and RMB5,968,200 respectively (collectively, the "Purchase and Sales Agreements"). Tianjin Yumin is a subsidiary of Tianjin Gas and thus also a connected person of the Company. Pursuant to the Listing Rules, the entering into of the Purchase and Sales Agreements constitute connected transactions of the Company.

As the applicable percentage ratios for the Purchase and Sales Agreements calculated on an aggregate basis, are more than 0.1% but below 5%, the Purchase and Sales Agreements and the transactions contemplated thereunder are subject to, among other things, the reporting and announcement requirements but are exempt from independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

During the Period, the total purchase amounted to approximately RMB2,935,000 (excluding tax).

For details, please refer to the Company's announcement dated 30 December 2013.

* *For identification purposes only*

EXEMPTED CONNECTED TRANSACTIONS

The following related party transactions disclosed in Note 35(a) to the financial statements of this Report are fully exempt connected transaction or continuing connected transaction under Chapter 14A of the Listing Rules:–

1. the Company rented a premises in the PRC (the "Premises") from Tianjin Gas, the controlling shareholder of the Company and thus a connected person of the Company under the Listing Rules, the aggregate rent paid by the Group to Tianjin Gas amounted to RMB933,000 for the Period;

2. 天津市津燃物業管理有限公司 (Tianjin Jinran Property Management Company Limited*), a subsidiary of Tianjin Gas, and thus a connected person of the Company under the Listing Rules, provided management services for the Premises to the Company during the Period and the management fee paid by the Group to the said company amounted to RMB488,000 for the Period;

3. the Company sold natural gas to 濱海中油燃氣有限責任公司 (Binhai Zhongyou Gas Company Limited*), a subsidiary of Tianjin Gas, and thus a connected person of the Company under the Listing Rules, the total purchase amounted to RMB67,000 for the Period; and

4. the Company purchased meter reading devices from 天津市聯寅燃氣通信技術有限責任公司 (Tianjin Lianyin Gas Communication Technology Company Limited*), a subsidiary of Tianjin Gas, and thus a connected person of the Company under the Listing Rules, the total purchase amounted to RMB18,000 for the Period.

As each of the abovementioned connected transaction or continuing connected transactions was on normal commercial terms and each of the applicable percentage ratios is on an annual basis less than 0.1%, each of these transactions was exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules.

Save as disclosed above, the Directors consider that those material related party transactions disclosed in Note 35(a) to the financial statements of this Report did not fall under the definition of "connected transactions" or "continuing connected transactions" (as the case may be) in Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the Listing Rules.

STAFF AND EMOLUMENT POLICY

As at 31 December 2013, the Group had a workforce of 993 full-time employees, among which 99.9% were working in mainland China.

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.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers of the Group together accounted for approximately 44% of the Group's total turnover for the year, with the largest customer accounted for approximately 19%. The five largest suppliers of the Group together accounted for approximately 100% of the Group's total purchases for the year, with the largest supplier accounted for 99%.

Except Tianjin Gas, a controlling shareholder of the Company, is a major supplier of the Group, at no time during the year did a director, an associate of a director or a shareholder (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) have an interest in any of the Group's five largest customers or suppliers.

AUDIT COMMITTEE

The Company has established an audit committee 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. The Audit Committee comprises the three independent non-executive Directors, Professor Zhang Yu Li, Mr. Luo Wei Kun and Mr. Tam Tak Kei, Raymond. The Audit Committee has reviewed the report and the results for the Year.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the PRC, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

AUDITOR

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as the auditor of the Company.

MATERIAL CONTRACTS

Save as disclosed in this report, no contract of significance has been entered into during the Reporting Period between the Company or any of its subsidiaries and the controlling shareholder or its subsidiaries.

CORPORATE CHANGES

1. Appointment of Independent Supervisor

Following the passing away of Professor Qi Yin Feng, the former independent supervisor, in 2012, the proposed appointment of Mr. Dou Run Liang as an independent supervisor has been approved by the Shareholders at the general meeting held on 14 June 2013 to fill the vacancy.

2. Change of General Manager

Mr. Zheng Tai Qi, the former general manager of the Company, retired from office as general manager on 26 July 2013 as he has reached the age of retirement. Mr. Zhang Guo Jian was appointed as the general manager of the Company with effect from the same day.

3. Change of Executive Director, Chairman, Member of Remuneration Committee and Chairman of Nomination Committee and Resignation of Compliance Officer

Mr. Jin Jian Ping has resigned as the chairman of the Board, executive Director, member of the remuneration committee of the Company, chairman of the nomination committee of the Company and compliance officer of the Company with effect from 1 September 2013 owing to work reallocation. Mr. Zhang Tian Hua, an executive Director, was appointed as the chairman of the Board, member of the remuneration committee of the Company and the chairman of the nomination committee of the Company with effect from the same day.

Following the resignation of Mr. Jin Jian Ping as an executive Director in September 2013, the appointment of Mr. Zhang Guo Jian as an executive Director has been approved by the Shareholders at the general meeting held on 1 November 2013 to fill the vacancy.

4. 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. Following the proposed resignation of Mr. Dong, the proposed appointment of Mr. Hou Shuang Jiang to be an executive Director has been approved by the Shareholders at the general meeting held on 3 March 2014 to fill the vacancy and the proposed resignation of Mr. Dong became effective on the same day.

5. Change of Authorised Representative

Following the resignation of Mr. Dong Hui Qiang became effective on 3 March 2014, Mr. Zhang Guo Jian was appointed as the authorised representative of the Company with effect from the same day to fill the vacant office.

On behalf of the Board
Tianjin Jinran Public Utilities Company Limited
Zhang Tian Hua
Chairman

27 March 2014

SUPERVISORY COMMITTEE'S REPORT

To All Shareholders:

During the period of this report, all members of the Supervisory Committee have faithfully discharged their supervisory duties vested in them by the Articles of Association of the Company in compliance with the provisions of the Company Law of the People's Republic of China and the Articles of Association of the Company to safeguard the interests of the Company and its shareholders and abiding by the principle of good faith in performing its work prudently and diligently. Our major functions comprised: exercising supervision over the Board to ensure that they are performing effectively, supervision of the major policies and decisions of the Company's management to determine their consistency with the law and regulations of the State, the Articles of Association of the Company and the interests of the shareholders of the Company, and making recommendations on the development strategy of the Group.

The Supervisory Committee has reviewed the accounting evidence, books and records, statements and other accounting information of the Company. We are of the opinion that the Company's financial statements have been properly prepared, and that the auditing work and financial management of the Company are in compliance of the relevant regulations. We have found nothing contained therein to be doubtful.

The Supervisory Committee has also carefully reviewed the Directors' Report, the audited financial statements and the proposed profit appropriation plan to be submitted by the Board to the forthcoming annual general meeting. We are of the opinion that the directors, general manager and other senior management staff of the Company have strictly adhered to the principle of good faith and sincerely acted in the best interests of the Company when they exercised their power. They have not committed any acts in violation of any laws or regulations or Articles of Association, nor have they been provided in any acts of abuse of power or infringement of the interests of the Company and its shareholders.

In 2013, the Supervisory Committee will continue faithfully to perform its duties and work diligently to safeguard the interests of all of the Company's investors.

By order of the Supervisory Committee
Cao Shu Jing
Chairman of the Supervisory Committee
The PRC

27 March 2014

Deloitte.
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TO THE SHAREHOLDERS OF
TIANJIN JINRAN PUBLIC UTILITIES COMPANY LIMITED
天津津燃公用事業股份有限公司
(A joint stock company with limited liability established in the People's Republic of China)

We have audited the consolidated financial statements of Tianjin Jinran Public Utilities Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 59 to 135, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

INDEPENDENT AUDITOR'S REPORT

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
27 March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	NOTES	**Year ended 31 December 2013 RMB'000**	Year ended 31 December 2012 RMB'000
Revenue	5	**1,494,634**	1,538,939
Cost of sales		**(1,391,754)**	(1,381,494)
Gross profit		**102,880**	157,445
Other income	7a	**16,694**	12,520
Other gains and losses	7b	**5,267**	7,491
Selling expenses		**(42)**	(54)
Administrative expenses		**(25,253)**	(22,422)
Share of results of associates		**8,195**	3,681
Profit before tax		**107,741**	158,661
Income tax expense	8	**(26,962)**	(39,473)
Profit and total comprehensive income for the year	9	**80,779**	119,188
Profit (loss) for the year and total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**84,425**	119,577
Non-controlling interests		**(3,646)**	(389)
		80,779	119,188
Earnings per share			
– basic (RMB cents)	11	**4.6**	6.5

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

		The Group		The Company	
	NOTES	**31 December 2013 RMB'000**	31 December 2012 RMB'000	**31 December 2013 RMB'000**	31 December 2012 RMB'000
Non-current Assets					
Property, plant and equipment	13	**301,095**	317,291	**295,410**	310,867
Prepaid lease payments	14	**12,393**	7,822	**12,393**	7,822
Intangible assets	15	**660,098**	716,512	**653,083**	701,124
Investments in subsidiaries	16	**–**	–	**20,000**	20,000
Interests in an associate	17	**30,962**	22,767	**8,778**	8,778
Prepayment		**58**	84	**58**	84
Deferred tax assets	27	**816**	164	**816**	164
		1,005,422	1,064,640	**990,538**	1,048,839
Current Assets					
Inventories	18	**5,955**	1,184	**5,321**	684
Trade receivables	19	**277,181**	289,237	**277,181**	289,096
Prepayment and other receivables	19	**21,592**	29,446	**21,217**	26,209
Held for trading investments	21	**–**	2,193	**–**	–
Other financial assets	28	**253,073**	–	**250,473**	–
Amounts due from related parties	20	**37,136**	18,244	**37,136**	18,244
Amount due from a shareholder	20	**13,933**	–	**13,933**	–
Bank balances and cash	22	**287,136**	372,411	**285,034**	371,624
		896,006	712,715	**890,295**	705,857
Current Liabilities					
Trade and other payables	23	**214,941**	148,641	**211,461**	142,187
Dividend payable		**30,546**	9,118	**30,546**	9,118
Income tax payable		**4,835**	12,472	**4,130**	12,472
Amount due to a shareholder	20	**–**	85,396	**–**	85,396
Amounts due to related parties	20	**76,162**	2,297	**76,162**	2,297
		326,484	257,924	**322,299**	251,470
Net Current Assets		**569,522**	454,791	**567,996**	454,387
Total Assets less Current Liabilities		**1,574,944**	1,519,431	**1,558,534**	1,503,226

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

		The Group		The Company	
	NOTES	**31 December 2013 RMB'000**	31 December 2012 RMB'000	**31 December 2013 RMB'000**	31 December 2012 RMB'000
Non-current liability					
Deferred income	24	**4,163**	–	**4,163**	–
		1,570,781	1,519,431	**1,554,371**	1,503,226
Capital and Reserves					
Share capital	25	**183,931**	183,931	**183,931**	183,931
Share premium and reserves	26	**1,386,820**	1,331,824	**1,370,440**	1,319,295
Equity attributable to owners of the Company		**1,570,751**	1,515,755	**1,554,371**	1,503,226
Non-controlling interests		**30**	3,676	**–**	–
Total Equity		**1,570,781**	1,519,431	**1,554,371**	1,503,226

The consolidated financial statements on pages 59 to 135 were approved and authorised for issue by the Board of Directors on 27 March 2014 and are signed on its behalf by:

Zhang Guo Jian
DIRECTOR

Zhang Tian Hua
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Attributable to owners of the Company							
	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000 (note i)	Enterprise expansion fund RMB'000 (note i)	Accumulated profits RMB'000	Total RMB'000	Non-Controlling interests RMB'000	Total RMB'000
At 1 January 2012	183,931	788,703	37,333	13,249	372,962	1,396,178	–	1,396,178
Profit (loss) and total comprehensive income for the year	–	–	–	–	119,577	119,577	(389)	119,188
Appropriation	–	–	9,045	4,522	(13,567)	–	–	–
Acquisition of a subsidiary (note 32)	–	–	–	–	–	–	4,065	4,065
At 31 December 2012	183,931	788,703	46,378	17,771	478,972	1,515,755	3,676	1,519,431
Profit (loss) and total comprehensive income (expense) for the year	–	–	–	–	84,425	84,425	(3,646)	80,779
Dividends recognised as distribution (note 10)	–	–	–	–	(29,429)	(29,429)	–	(29,429)
Appropriation	–	–	12,093	6,046	(18,139)	–	–	–
At 31 December 2013	183,931	788,703	58,471	23,817	515,829	1,570,751	30	1,570,781

Notes:

(i) Basis of appropriations reserves

Prior to August 2007, the Company's and each of its subsidiaries' Articles of Association require the appropriation of 10% its profit after tax determined under the People's Republic of China ("PRC") accounting standards each year to the statutory surplus reserve until the balance reaches 50% of the share capital. The statutory surplus reserve shall only be used for making up losses, capitalisation into share capital and expansion of the production and operation. After transformation to a foreign invested joint stock company in June 2007, 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 an enterprise expansion fund. Enterprise expansion fund are non-distributable. Appropriations to such reserves 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.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	Note	2013 RMB'000	2012 RMB'000
Operating activities			
Profit before tax		**107,741**	158,661
Adjustments for:			
Amortisation of intangible assets		**57,191**	54,415
Amortisation of prepaid lease payments		**292**	202
Depreciation of property, plant and equipment		**15,619**	13,142
Impairment loss recognised in respect of intangible assets		**5,617**	–
Interest income		**(1,302)**	(1,839)
Share of results of associates		**(8,195)**	(3,681)
Gain on redemption of financial asset at fair value through profit or loss ("FVTPL")		**(9,002)**	–
Unrealised gain on fair value change of financial asset at FVTPL		**(473)**	–
Net gain on fair value change of held for trading investments		**(453)**	(177)
Reversal of allowances for bad and doubtful debts		**(1,369)**	(7,314)
Loss on disposal of property, plant and equipment		**121**	9
Written off of intangible assets		**413**	–
Government grant credited to profit and loss		**(15)**	–
Operating cash flows before movements in working capital		**166,185**	213,418
Increase in inventories		**(4,771)**	(262)
Decrease (increase) in trade receivables		**13,425**	(30,538)
Decrease (increase) in prepayments and other receivables		**7,967**	(8,526)
Increase in amount due from a shareholder		**(13,933)**	–
Decrease in amount due to a shareholder		**(85,396)**	(5,893)
Increase in amount due from related parties		**(18,892)**	(9,644)
Increases in amounts due to related parties		**73,865**	1,181
Decrease in held for trading investments		**2,646**	30
Increase in trade and other payables		**63,119**	3,831
Net cash generated from operations		**204,215**	163,597
Income tax paid		**(35,251)**	(34,014)
Net cash generated from operating activities		**168,964**	129,583

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	Note	2013 RMB'000	2012 RMB'000
Investing activities			
Payment for construction of infrastructure for service concession arrangement		**(6,807)**	(15,579)
Purchase of property, plant and equipment		**(4,496)**	(13,164)
Refund of the consideration payable for acquisition of a subsidiary	32	**3,000**	–
Acquisition of a subsidiary	32	**–**	(2,474)
Repayment from (advance to) an associate		**–**	170
Proceeds from disposal of property, plant and equipment		**2**	5
Interest received		**1,302**	1,839
Acquisition of financial assets at FVTPL		**(3,678,800)**	–
Proceeds from the redemption of financial assets at FVTPL		**3,435,202**	–
Government grant received		**4,359**	–
Net cash used in investing activities		**(246,238)**	(29,203)
Cash used in financing activity			
Dividend paid		**(8,001)**	–
Net (decrease) increase in cash and cash equivalents		**(85,275)**	100,380
Cash and cash equivalents at 1 January 2013		**372,411**	272,031
Cash and cash equivalents at 31 December 2013, represented by bank balances and cash		**287,136**	372,411

1. GENERAL

The Company was established at Weishan Road, Chang Qing Science, Industry and Trade Park, Jinnan District, Tianjin, the People's Republic of China (the "PRC") as a joint stock limited company. 天津市燃氣集團有限公司 ("Tianjin Gas") is the ultimate holding company of the Company. The Company's overseas listed foreign shares ("H Shares") were listed on the Growth Enterprises Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 9 January 2004. In June 2007, the Company transformed to a foreign invested joint stock limited company. The Company's listing was transferred from GEM to the main board of the Stock Exchange since 18 October 2011. On 20 June 2012, the Company changed its name from Tianjin Tianlian Public Utilities Company Limited（天津天聯公用事業股份有限公司）to Tianjin Jinran Public Utilities Company Limited（天津津燃公用事業股份有限公司）. A new business license under the new name of the Company was issued by the Tianjin Administration of Industry and Commerce Bureau（天津市工商行政管理局）on 17 August 2012.

The principal activities of the Company are the operation and management of gas pipeline infrastructure and the sale and distribution of piped gas. The principal activities of its subsidiaries are disclosed in note 36.

The Group's principal operations are conducted in the PRC. The consolidated financial statements are presented in Renminbi ("RMB"), which is the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Application of new and revised HKFRSs

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first year in the current year.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle
Amendments HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangement
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statement
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 Consolidated Financial Statements, HKFRS 11 Joint Arrangements, HKFRS 12 Disclosure of Interests in Other Entities, HKAS 27 (as revised in 2011) Separate Financial Statements and HKAS 28 (as revised in 2011) Investments in Associates and Joint Ventures, together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK(SIC) Int-12 Consolidation – Special Purpose Entities. HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

The directors made an assessment as at the date of initial application of HKFRS 10 (i.e. 1 January 2013) as to whether or not the Group has control over its investments in investees in accordance with the requirements of HKFRS 10. The directors concluded the application of HKFRS 10 in the current year has had no material effect on the amounts reported in these consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

Impact of the application of HKFRS 12

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period (please see note 31c for the 2013 disclosures). Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to HKAS 1 Presentation of Items of Other Comprehensive Income. Upon the adoption of the amendments to HKAS 1, the Group's 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income'. Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new or revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
HKFRS 9	Financial Instruments[3]
HKFRS 14	Regulatory Deferral Accounts[5]
HK(IFRIC)-Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014.

2 Effective for annual periods beginning on or after 1 July 2014.

3 Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

5 Effective for annual periods beginning on or after 1 January 2016.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

Annual Improvements to HKFRSs 2010-2012 Cycle

The Annual Improvements to HKFRSs 2010-2012 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short– term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2010-2012 Cycle will have a material effect on the Group's consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

Annual Improvements to HKFRSs 2011-2013 Cycle

The Annual Improvements to HKFRSs 2011-2013 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The directors do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2011-2013 Cycle will have a material effect on the Group's consolidated financial statements.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

HKFRS 9 Financial Instruments *(continued)*

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors anticipate that the adoption of HKFRS 9 in the future may have impact on the results and the financial position of the Group. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal.

The directors do not anticipate that the application of these amendments to HKAS 36 will have a significant impact on the Group's consolidated financial statements.

The directors anticipate that the application of other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinances.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instrument, that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets of liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policy.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss.

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Gas connection contracts

When the outcome of a fixed price gas connection contract can be estimated reliably and the stage of completion at the end of the reporting date can be measured reliably, construction contract revenue from gas connection contracts is recognised based on the percentage of completion method, as measured by reference to the proportion that the cost of work carried out during the year bear to the estimated total contract costs.

When the outcome of a gas connection contract cannot be estimated reliably, revenue is only recognised to the extent of contract cost incurred that it is probable to be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

Revenue from construction of gas pipeline infrastructure under gas supply service concession arrangements

Revenue from providing construction services under the gas supply service concession arrangements are recognised by reference to the stage of completion of the concession arrangements at the end of reporting period, as measured by contract cost incurred for work performed to date bear to the estimated total contract cost. Operation or service revenue is recognised in the year in which the services are provided by the Group.

Others

Sales of gas and gas transportation income are recognised when gas is supplied to customers while sales of gas appliances and lead and zinc are recognised when goods are delivered and title has passed.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipt through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

The Group as leasee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leasing *(continued)*

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payment cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (RMB) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expenses represent the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from ‘profit before tax’ as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expenses that are taxable or deductible in other years and items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extend that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the assets is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Property, plant and equipment

Property, plant and equipment including leasehold land and buildings held for use in the production or supply of goods or services, or for administrative purposes other than construction in progress, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

Properties in the course of construction for production, supply or administrative purpose are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of asset. Any gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the assets and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effective of any changes in estimates being accounted for on a prospective basis. (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets *(continued)*

The Group as a gas supply operator has access to operate the gas pipeline infrastructure to provide public service on behalf of the grantor in accordance with the terms specified in the service concession arrangement. When the Group has a right to charge for usage of concession infrastructure (as consideration for providing construction service in a service concession arrangement), it recognises an intangible asset at fair value upon initial recognition. The intangible asset is carried at cost less accumulated amortisation and any accumulated impairment losses.

Gains and losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in period when the asset is derecognised.

Mining right

Mining right is recognised at its fair value at the acquisition date (which is regarded as its cost) less subsequent accumulated amortisation and accumulated impairment losses. Mining right is amortised over its license period of 6 years using the straight-line method.

Impairment loss on tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Recoverable amount is the higher of fair value less costs to disposal and value in use. If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventory are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sales.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified as financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial assets, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, 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; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the 'other gains and losses' line item in the condensed consolidated statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in note 31c.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivables, amounts due from related parties and a shareholder, bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy in impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimate future cash flows of the financial assets have been affected.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Impairment of financial assets *(continued)*

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written-off are credited to profit or loss.

For financial assets measure at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decreases can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments *(continued)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimate future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discount) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade and other payables, dividend payable, amounts due to related parties and a shareholder are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application the Group's accounting policies, which are described in note 3, the directors of the Company are required to makes judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future period.

The key source of estimation uncertainty at the end of the reporting period that has a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year is declosed below.

Recognition of sales of gas

Revenue for sales of gas includes an estimation of the gas supplied to the customers for each of the month end. The estimation is done mainly based on the past consumption records and recent consumption pattern of individual customers which are updated periodically to reflect latest information. Notwithstanding that the directors review and revise the estimate, the actual consumption may be higher or lower than the estimates and this will affect the revenue recognised.

Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 December 2013, the carrying amount of trade receivable is RMB115,953,000 net of allowance for doubtful debts of RMB5,829,000 (31 December 2012: carrying amount of RMB159,796,000, net of allowance for doubtful debts of RMB7,198,000).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Estimated impairment of right for distribution of gas

Determining whether right for distribution of gas are impaired requires an estimation of the value in use of the cash-generating units to which right for distribution of gas have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 December 2013, the carrying amount of right for distribution of gas is RMB653,083,000 (2012: RMB701,124,000).

Estimated impairment of mining right

The carrying amount of mining right amounting to RMB7,015,000 net of accumulated impairment loss RMB5,617,000 (31 December 2012:RMB15,388,000 net of accumulated impairment nil) has been reviewed for impairment in accordance with HKAS 36 whenever certain events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group determines the recoverable amount which is the higher of value in use and fair value less costs of disposal. The value in use is based on the estimations of future expected cash flows from the usage of these assets and a suitable discount rate. Fair value less costs of disposal is based on recent transaction prices of similar transactions after making appropriate adjustments. During the year ended 31 December 2013, the impairment loss recognised in respect of mining right is amounting to RMB5,617,000 (31 December 2012: Nil). Any changes in the estimated recoverable amount will affect the recognition and reversal of impairment loss. Details of the recoverable amount calculation for mining right are disclosed in note 15.

Fair value measurements and valuation processes

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available for Level 1 inputs. In the Level 2 fair value measurements, the Group derived the inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly with reference to the market information. The Finance Department of the Company establishes the appropriate valuation techniques and inputs to the model and regularly assesses the impact and the cause of fluctuations in the fair value of the assets and liabilities.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Note 31c provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets.

5. REVENUE

Revenue represents revenue from sales of piped gas, construction contract revenue from gas connection contracts and construction of gas pipeline infrastructure, gas transportation revenue, revenue from sales of gas appliances and lead and zinc, net of discount and sales related tax, during the year.

The Group completed the acquisition of the additional 39% equity interests of 貴州津維礦業投資有限公司 ("貴州津維") and "貴州津維" completed its acquisition of 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") on 30 June 2012. 貴州國新 owns a mining right of a lead-zinc mine located in Taijiang County, Guizhou Province and the Group commenced the mining and trading of lead and zinc from prior year.

The following is an analysis of the Group's revenue for its major products and services:

	2013 RMB'000	2012 RMB'000
Sales of piped gas	**1,345,471**	1,337,106
Gas connection income	**126,418**	166,079
Gas transportation income	**9,710**	11,942
Sales of gas appliances	**5,679**	7,646
Sales of lead and zinc	**549**	587
Revenue from construction of gas pipeline infrastructure	**6,807**	15,579
	1,494,634	1,538,939

6. SEGMENT INFORMATION

For management purposes, the Group is divided into five divisions as follow:

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 Tianjin Gas
4. Sales of gas appliances
5. Mineral exploration – mining, processing and trading of lead and zinc

These divisions are the basis on which the Group reported its segment information, based on the financial information prepared on the PRC generally accepted accounting principles (which is consistent with the accounting policies of revenue recognition) reported to board of directors of the Company, the chief operating decision maker for the purposes of resource allocation and performance assessment. The construction of gas pipeline infrastructure operation is not reported to the board of directors of the Company (being the chief operating decision maker).

Information regarding the above five divisions constitute the five operating segments is reported below.

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

Year ended 31 December 2013

	Sales of piped gas RMB'000	Gas connection RMB'000	Gas transportation RMB'000	Sales of gas appliances RMB'000	Mineral exploration RMB'000	Segment total RMB'000
Segment revenue from external customers	1,345,471	126,418	9,710	5,679	549	1,487,827
Segment profit (loss)	24,329	78,346	2,289	951	(3,654)	102,261

6. SEGMENT INFORMATION *(continued)*

Reconciliation of segment revenue

	RMB'000
Total segment revenue	1,487,827
Revenue from construction of gas pipeline infrastructure	6,807
Revenue	1,494,634

Reconciliation of segment profit

	RMB'000
Total segment profit	102,261
Profit from construction of gas pipeline infrastructure	619
Share of profit of an associate	8,195
Other income	16,694
Other gains and losses	5,267
Corporate expenses	(25,295)
Profit before tax	107,741

6. SEGMENT INFORMATION *(continued)*

Year ended 31 December 2012

	Sales of piped gas RMB'000	Gas connection RMB'000	Gas transportation RMB'000	Sales of gas appliances RMB'000	Mineral exploration RMB'000	Segment total RMB'000
Segment revenue from external customers	1,337,106	166,079	11,942	7,646	587	1,523,360
Segment profit (loss)	40,744	110,581	4,725	703	(724)	156,029

Reconciliation of segment revenue

	RMB'000
Total segment revenue	1,523,360
Revenue from construction of gas pipeline infrastructure	15,579
Revenue	1,538,939

Reconciliation of segment profit

	RMB'000
Total segment profit	156,029
Profit from construction of gas pipeline infrastructure	1,416
Share of result of associates	3,681
Other income	12,520
Other gains and losses	7,491
Corporate expenses	(22,476)
Profit before tax	158,661

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit/loss represents the profit/loss earned by each segment without allocation of other income, other gains and losses, share of result of associates and corporate expenses. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

6. SEGMENT INFORMATION *(continued)*

Other segment information

	Sales of piped gas		Gas connection		Gas transportation		Mineral exploration		Total for all segments		Adjustments		Total	
	2013 RMB'000	2012 RMB'000	**2013 RMB'000**	2012 RMB'000	**2013 RMB'000**	2012 RMB'000	**2013 RMB'000**	2012 RMB'000	**2013 RMB'000**	2012 RMB'000	**2013 RMB'000**	2012 RMB'000	**2013 RMB'000**	2012 RMB'000
Amounts included in the measure of segment profit:														
Depreciation of property, plant and equipment	**4,937**	3,740	**–**	–	**7,295**	6,816	**768**	132	**13,000**	10,688	**2,619**	2,454	**15,619**	13,142
Amortisation of intangible assets	**54,435**	53,037	**–**	–	**–**	–	**2,756**	1,378	**57,191**	54,415	**–**	–	**57,191**	54,415
Amortisation of prepaid lease payments	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**292**	202	**292**	202

Note 1: Adjustments represent corporate expenses not allocated to the measurement of segment profit.

During the current year, the Group had carried out gas connection contract work with revenue of approximately RMB7,111,000 (2012: RMB57,600,000) in certain areas in Tianjin, in which the gas supply is being separately provided by Tianjin Gas, a substantial shareholder of the Company, to its own customers.

No analysis of the Group's assets and liabilities by operating segment is disclosed as they are not regularly provided to the board of directors of the Company for review.

Geographical information

The Group's operations are all located in the PRC and all its revenue are earned from customers located in the PRC. Accordingly, no geographical information is presented.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2013 RMB'000	2012 RMB'000
Customer A[1]	**226,224**	287,010
Customer B[1]	**153,031**	N/A[2]

1 Revenue from sales of piped gas.

2 The corresponding revenue did not contribute over 10% of the total sales of the Group in 2012.

7a. OTHER INCOME

	2013 RMB'000	2012 RMB'000
Value added tax refund	**10,739**	10,681
Bank interest income	**1,302**	1,839
Refund of consideration payable for acquisition of a subsidiary (note 32)	**3,000**	–
Sundry Income	**1,653**	–
	16,694	12,520

7b. OTHER GAINS AND LOSSES

	2013 RMB'000	2012 RMB'000
Gain on redemption of financial assets at FVTPL	**9,002**	–
Unrealised gain on fair value change of financial assets at FVTPL	**473**	–
Reversal of allowance for bad and doubtful debts	**1,369**	7,314
Net gain on fair value change of held for trading investments	**453**	177
Impairment loss recognised in respect of intangible assets	**(5,617)**	–
Written off of intangible assets	**(413)**	–
	5,267	7,491

8. INCOME TAX EXPENSE

	2013 RMB'000	2012 RMB'000
The charge comprises:		
PRC Enterprise Income Tax	**27,614**	37,248
Deferred tax (note 27)	**(652)**	2,225
	26,962	39,473

The Company and its subsidiaries are subject to PRC Enterprise Income Tax rate of 25% for the year (2012: 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.

The tax charge for the year can be reconciled to the profit before tax per the consolidated statement of comprehensive income as follows:

	2013 RMB'000	2012 RMB'000
Profit before tax	**107,741**	158,661
Tax at the domestic income tax rate of 25%	**26,935**	39,665
Tax effect of share of results of associates	**(2,049)**	(920)
Tax effect of expenses that are not deductible in determining taxable profit	**1,092**	544
Tax effect of deductible temporary difference not recognised	**1,404**	–
Tax effect of tax losses not recognised	**1,183**	264
Utilisation of tax losses previously not recognised	**(1,603)**	(80)
Income tax expenses for the year	**26,962**	39,473

9. PROFIT FOR THE YEAR

	2013 RMB'000	2012 RMB'000
Profit for the year has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**15,619**	13,142
Amortisation of intangible assets (included in cost of sales)	**57,191**	54,415
Total depreciation and amortisation	**72,810**	67,557
Auditor's remuneration	**1,210**	1,100
Foreign exchange gain	**67**	–
Staff costs including directors' and supervisors' remuneration	**92,537**	80,880
Loss on disposal of property, plant and equipment	**121**	9
Loss on written off of intangible assets	**413**	–
Amortisation of prepaid lease payments (included in administrative expenses)	**292**	202
Operating lease rentals in respect of rented premises	**1,202**	1,296
Cost of gas purchased	**1,158,257**	1,144,849
Cost of inventory of zinc and lead	**1,178**	173

10. DIVIDEND

During the current year, a final dividend of RMB0.016 per share in respect of the year ended 31 December 2012 was declared to the owners of the Group. The aggregate amount of the final dividend declared during the current year amounted to RMB29,429,000.

	2013 RMB'000	2012 RMB'000
Final dividends of RMB0.016 per share for the year ended 31 December 2012 recognised as distribution during the ended 31 December 2013	**–**	29,429

The directors of the Company do not recommend the payment of dividend for the year ended 31 December 2013.

11. EARNINGS PER SHARE

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

	2013 RMB'000	2012 RMB'000
Earnings		
Earnings for the purpose of basic earnings per share		
Profit for the year attributable to owners of the Company	**84,425**	119,577
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share ('000)	**1,839,308**	1,839,308

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

12. DIRECTORS', SUPERVISORS' AND GENERAL MANAGER'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Directors, supervisors and general manager

Details of remuneration paid to the directors, supervisors and general manager during the year are as follows:

	2013 RMB'000	2012 RMB'000
Fees	**717**	800
Salaries and other benefits	**560**	478
Retirement benefit scheme contributions	**43**	25
	1,320	1,303

12. DIRECTORS', SUPERVISORS' AND GENERAL MANAGER'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

(continued)

Directors, supervisors and general manager *(continued)*

Fees of directors, supervisors and general manager analysed into:

Year ended 31 December 2013

	Fees RMB'000	Basic salaries RMB'000	Performance related incentive payment RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Executive directors					
Bai Shaoliang	50	–	–	–	50
Dong Huiqiang	50	–	–	–	50
Jin Jianping (note 1)	33	–	–	–	33
Tang Jie	50	–	–	–	50
Zhang Tianhua	50	–	–	–	50
Zhang Guojian (note 2)	9	116	–	8	133
	242	116	–	8	366
Non-executive directors					
Wang Zhiyong	50	–	–	–	50
	50	–	–	–	50
Independent non-executive directors					
Luo Weikun	50	–	–	–	50
Tam Tak Kei Raymond	100	–	–	–	100
Zhang Yuli	50	–	–	–	50
	200	–	–	–	200

12. DIRECTORS', SUPERVISORS' AND GENERAL MANAGER'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

(continued)

Directors, supervisors and general manager *(continued)*

	Fees RMB'000	Basic salaries RMB'000	Performance related incentive payment RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Supervisors					
Cao Shujing	50	–	–	–	50
Hao Li	50	40	26	4	120
Jiang Nian	50	–	–	–	50
Sun Xuegang	50	123	60	31	264
Dou Runliang (note 3)	25	–	–	–	25
	225	163	86	35	509
General Manager					
Zheng Taiqi (note 4)	–	113	82	–	195
	717	392	168	43	1,320

Note 1: Mr. Jin Jianping resigned as executive directors of the Group on 1 September 2013.

Note 2: Mr. Zhang Guojian was appointed as executive directors of the Group on 1 November 2013. The Company does not have any officer with the title of 'chief executive officer' or 'chief executive', but the duties of a chief executive officer have been carried out by Mr. Zhang Guojian when he appointed as the general manager of the Company from 29 April 2013. The emoluments disclosed above include those for services rendered by him as the general manager of the Company.

Note 3: Mr. Dou Ruiliang was appointed as supervisor of the Group on 14 June 2013.

Note 4: The Company does not have any officer with the title of 'chief executive officer' or 'chief executive', but the duties of a chief executive officer have been carried out by Mr. Zheng Tai Qi, the general manager of the Company before 30 April 2013. Mr. Zheng Taiqi resigned as general manager of the Company on 30 April 2013.

12. DIRECTORS', SUPERVISORS' AND GENERAL MANAGER'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

(continued)

Directors, supervisors and general manager *(continued)*

Year ended 31 December 2012

	Fees RMB'000	Basic salaries RMB'000	Performance related incentive payment RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Executive directors					
Bai Shaoliang	50	–	–	–	50
Dong Huiqiang	50	–	–	–	50
Jin Jianping	50	–	–	–	50
Tang Jie	50	–	–	–	50
Zhang Tianhua	50	–	–	–	50
	250	–	–	–	250
Non-executive directors					
Gong Jing (note 5)	25	–	–	–	25
Wang Zhiyong (note 6)	25	–	–	–	25
	50	–	–	–	50
Independent non-executive directors					
Chan Shun Kuen Eric (note 7)	50	–	–	–	50
Luo Weikun	50	–	–	–	50
Tam Tak Kei Raymond	100	–	–	–	100
Zhang Yuli	50	–	–	–	50
	250	–	–	–	250

12. DIRECTORS', SUPERVISORS' AND GENERAL MANAGER'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

(continued)

Directors, supervisors and general manager *(continued)*

	Fees RMB'000	Basic salaries RMB'000	Performance related incentive payment RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Supervisors					
Cao Shujing	50	–	–	–	50
Hao Li	50	42	5	–	97
Jiang Nian (note 8)	25	–	–	–	25
Qi Yinfeng (note 9)	50	–	–	–	50
Sha Jincheng (note 10)	25	–	–	–	25
Sun Xuegang	50	107	15	25	197
	250	149	20	25	444
General Manager					
Zheng Taiqi	–	272	37	–	309
	800	421	57	25	1,303

Note 5: Mr. Gong Jing resigned as non-executive director of the Group on 20 June 2012.

Note 6: Mr. Wang Zhiyong was appointed as non-executive director of the Group on 20 June 2012.

Note 7: Mr. Chan Shun Kuen Eric resigned as independent non-executive director of the Group on 20 June 2012.

Note 8: Mr. Jiang Nian was appointed as supervisor of the Group on 20 June 2012.

Note 9: Mr. Qi Yinfeng passed away on 28 August 2012 and the Group paid whole year remuneration to his family.

Note 10: Mr. Sha Jincheng resigned as supervisor of the Group on 20 June 2012.

Performance related incentive payment is determined based an individual performance of the director.

12. DIRECTORS', SUPERVISORS' AND GENERAL MANAGER'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

(continued)

Employees

The five highest paid employees in the Group for the year ended 31 December 2013 included one director, two supervisors and the general manager (2012: one director, two supervisors and the general manager) whose emoluments are included in the above disclosures. The remuneration of the remaining highest paid employee for the year is as follows:

	2013	2012
	RMB'000	RMB'000
Salaries and other benefits	**143**	146
Retirement benefit scheme contributions	**–**	–
	143	146

Their emoluments are within the following band:

	2013	2012
Nil – RMB786,200 (2012: Nil to RMB810,800) (equivalent to Nil to HK$1,000,000)	**1**	1

For the year ended 31 December 2013 and 2012, no directors, supervisors, general manager or the remaining highest paid employee waived or agreed to waive any emoluments and no incentive was paid to them as an inducement to join or upon joining the Group or as compensation for loss of office.

13. PROPERTY, PLANT AND EQUIPMENT

The Group

	Leasehold land and buildings RMB'000	Pipelines RMB'000	Machinery RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Mining structures RMB'000	Construction in progress RMB'000	Total RMB'000
COST								
At 1 January 2012	37,530	219,632	58,944	3,946	8,300	–	6,585	334,937
Additions (note a)	6,569	–	2,236	568	981	–	9,379	19,733
Reclassification	429	–	598	–	–	3,890	(4,917)	–
Acquisition of a subsidiary (note 32)	–	–	802	6	127	1,338	2,247	4,520
Disposal	–	–	–	–	(172)	–	–	(172)
At 31 December 2012	44,528	219,632	62,580	4,520	9,236	5,228	13,294	359,018
Additions	–	–	1,933	476	488	–	1,599	4,496
Reclassification	–	–	8,815	–	–	–	(8,815)	–
Transfer to prepaid lease payment	–	–	–	–	–	–	(4,950)	(4,950)
Disposal	–	–	(88)	–	(180)	–	–	(268)
At 31 December 2013	44,528	219,632	73,240	4,996	9,544	5,228	1,128	358,296
DEPRECIATION								
At 1 January 2012	6,219	7,733	8,490	2,283	4,018	–	–	28,743
Provided for the year	891	6,816	3,740	385	1,178	132	–	13,142
Disposal	–	–	–	–	(158)	–	–	(158)
At 31 December 2012	7,110	14,549	12,230	2,668	5,038	132	–	41,727
Provided for the year	1,015	7,295	4,937	447	1,157	768	–	15,619
Disposal	–	–	(12)	–	(133)	–	–	(145)
At 31 December 2013	8,125	21,844	17,155	3,115	6,062	900	–	57,201
CARRYING VALUES								
At 31 December 2012	37,418	205,083	50,350	1,852	4,198	5,096	13,294	317,291
At 31 December 2013	36,403	197,788	56,085	1,881	3,482	4,328	1,128	301,095

13. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The Company

	Leasehold land and buildings RMB'000	Pipelines RMB'000	Machinery RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2012	37,530	219,632	58,944	3,889	8,300	6,585	334,880
Additions (note a)	6,569	–	2,203	545	644	7,616	17,578
Reclassification	429	–	598	–	–	(1,027)	
Disposal	–	–	–	–	(172)	–	(172)
At 31 December 2012	44,528	219,632	61,745	4,434	8,772	13,175	352,286
Additions	–	–	1,933	465	488	1,310	4,196
Reclassification	–	–	8,815	–	–	(8,815)	–
Transfer to prepaid lease payment	–	–	–	–	–	(4,950)	(4,950)
Disposal	–	–	(88)	–	(180)	–	(268)
At 31 December 2013	44,528	219,632	72,405	4,899	9,080	720	351,264
DEPRECIATION							
At 1 January 2012	6,219	7,733	8,490	2,263	4,018	–	28,723
Provided for the year	891	6,816	3,662	373	1,112	–	12,854
Disposal	–	–	–	–	(158)	–	(158)
At 31 December 2012	7,110	14,549	12,152	2,636	4,972	–	41,419
Provided for the year	1,015	7,295	4,778	428	1,064	–	14,580
Disposal	–	–	(12)	–	(133)	–	(145)
At 31 December 2013	8,125	21,844	16,918	3,064	5,903	–	55,854
CARRYING VALUES							
At 31 December 2012	37,418	205,083	49,593	1,798	3,800	13,175	310,867
At 31 December 2013	36,403	197,788	55,487	1,835	3,177	720	295,410

Note a: The additions represented two properties received from one debtor for settlement of trade receivable of RMB6,569,000 during the year ended 31 December 2012.

13. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The above items of property, plant and equipment other than construction in progress are depreciated, after taking into accounts their residual value on a straight-line basis at the following rate per annum:

Leasehold land and buildings	Over the shorter of the term of lease or 40 years
Pipelines	25 – 30 years
Machinery	10 – 25 years
Furniture, fixtures and equipment	5 – 8 years
Motor vehicles	5 years
Mining structures	6 years

The leasehold land and buildings are situated in the PRC and are situated on land held under medium-term land use rights.

At 31 December 2013, the Group is in the process of applying title certificates for certain leasehold land and buildings with a carrying value of approximately RMB6,569,000 (31.12.2012: RMB9,678,000).

14. PREPAID LEASE PAYMENTS

The Group's and the Company's prepaid lease payments comprise:

	31 December 2013 RMB'000	31 December 2012 RMB'000
Leasehold land in the PRC:		
Medium-term lease	**12,695**	8,037
Analysed for reporting purpose as:		
Current portion (included in prepayment and other receivables)	**302**	215
Non-current portion	**12,393**	7,822
	12,695	8,037

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

15. INTANGIBLE ASSETS

The Group

	Right for distribution of gas RMB'000 (Note a)	Mining right RMB'000 (Note b)	Total RMB'000
COST			
At 1 January 2012	824,976	–	824,976
Acquisition of a subsidiary	–	16,766	16,766
Additions under service concession arrangement	15,579	–	15,579
At 31 December 2012	840,555	16,766	857,321
Additions under service concession arrangement	6,807	–	6,807
Written off	(512)	–	(512)
At 31 December 2013	846,850	16,766	863,616
AMORTISATION AND IMPAIRMENT			
At 1 January 2012	86,394	–	86,394
Provided for the year	53,037	1,378	54,415
At 31 December 2012	139,431	1,378	140,809
Provided for the year	54,435	2,756	57,191
Written off	(99)	–	(99)
Impairment loss recognised in profit and loss	–	5,617	5,617
At 31 December 2013	193,767	9,751	203,518
CARRYING VALUES			
At 31 December 2012	701,124	15,388	716,512
At 31 December 2013	653,083	7,015	660,098

15. INTANGIBLE ASSETS *(continued)*

The Company

	Right for distribution of gas RMB'000 (Note a)
COST	
At 1 January 2012	824,976
Additions under service concession arrangement	15,579
At 31 December 2012	840,555
Additions under service concession arrangement	6,807
Written off	(512)
At 31 December 2013	846,850
AMORTISATION	
At 1 January 2012	86,394
Provided for the year	53,037
At 31 December 2012	139,431
Provided for the year	54,435
Written off	(99)
At 31 December 2013	193,767
CARRYING VALUES	
At 31 December 2012	701,124
At 31 December 2013	653,083

Note a: The Group has the right for distribution of gas (including the service concession arrangement by operating gas pipeline infrastructure) in certain districts in the PRC. Such right has finite useful lives and are amortised on a straight-line basis over a period of 25 years. The price of selling the gas is regulated by the PRC Government price bureau.

Note b: The Group completed its acquisition of the additional 39% equity interest of 貴州津維 and 貴州津維 completed its acquisition of 70% equity interest of 貴州國新 on 30 June 2012. 貴州國新owns a mining right of a lead-zinc mine located in Taijiang County, Guizhou Province of PRC. The fair value of the mining right is RMB16,766,000 upon completion of the acquisition. The mining right represents the right to conduct mining activities in the lead and zinc mine.

The mining right is amortised over mining right license period of 6 years from September 2012 to July 2018 using the straight-line method.

15. INTANGIBLE ASSETS *(continued)*

Impairment testing on mining assets

During the current year, as the result of the changes to the production plan of its mining operation included in the mineral exploration segment, the directors of the Company conducted an impairment assessment of its mining right.

The recoverable amount of the mining right has been determined as its fair value less costs of disposal. Fair value has been estimated by reference to recent transaction prices of mining right in nearby locations with appropriate adjustments, if any. An impairment loss of RMB5,617,000 has been recognised as the carrying amount of the mining right is higher than its estimated fair value less costs of disposal.

16. INVESTMENTS IN SUBSIDIARIES

	The Company	
	31 December 2013 RMB'000	31 December 2012 RMB'000
Unlisted shares, at cost	**20,000**	20,000

17. INTERESTS IN AN ASSOCIATE

	The Group		The Company	
	31 December 2013 RMB'000	31 December 2012 RMB'000	**31 December 2013 RMB'000**	31 December 2012 RMB'000
Cost of investment in an associate				
– unlisted	**8,778**	8,778	**8,778**	8,778
Share of post-acquisition profits	**22,184**	13,989	**–**	–
	30,962	22,767	**8,778**	8,778

17. INTERESTS IN AN ASSOCIATE *(continued)*

As at 31 December 2013 and 2012, the Group had interest in the following associates:

Name of entity	Form of entity	Place of registration/ Principal place of operation	Class of shares held	Proportion of nominal value of issued capital directly held by the Group		Proportion of voting power held		Principal activity
				2013	2012	**2013**	2012	
天津市濱海燃氣有限公司	Incorporated	PRC	Ordinary	**30.55%**	30.55%	**30.55%**	30.55%	Gas supply

Included in the cost of investment in associates is goodwill of RMB3,597,000 (31.12.2012: RMB3,597,000) arising on acquisition of 天津市濱海燃氣有限公司.

The summarised financial information in respect of the Group's associates is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

	31 December 2013 RMB'000	31 December 2012 RMB'000
Current assets	**179,120**	93,585
Non-current assets	**247,326**	212,013
Current liabilities	**237,189**	195,086
Non-current liabilities	**99,684**	47,762

17. INTERESTS IN AN ASSOCIATE *(continued)*

	2013 **RMB'000**	2012 RMB'000
Revenue	**379,726**	179,904
Profit and total comprehensive income for the year	**26,824**	12,784
Group's share of result of associates for the year	**8,195**	3,681

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2013 **RMB'000**	2012 RMB'000
Net assets of 天津市濱海燃氣有限公司	**89,573**	62,750
Proportion of the Group's ownership interest in 天津市濱海燃氣有限公司	**30.55%**	30.55%
Goodwill	**3,597**	3,597
Carrying amount of the Group's interest in 天津市濱海燃氣有限公司	**30,962**	22,767

18. INVENTORIES

The Group

	31 December 2013 RMB'000	31 December 2012 RMB'000
Gas appliances	**4,629**	123
Gas	**196**	197
Spare parts and consumables	**559**	403
Lead and zinc	**571**	461
	5,955	1,184

The Company

	31 December 2013 RMB'000	31 December 2012 RMB'000
Gas appliances	**4,629**	123
Gas	**196**	197
Spare parts and consumables	**496**	364
	5,321	684

19. TRADE RECEIVABLES/PREPAYMENT AND OTHER RECEIVABLES

	The Group	
	31 December 2013 RMB'000	31 December 2012 RMB'000
Trade receivables	**121,782**	166,994
Note receivables	**161,228**	129,441
Less: impairment loss recognised	**(5,829)**	(7,198)
Net trade receivables	**277,181**	289,237
Other receivables	**19,057**	30,279
Less: impairment loss recognised	**(2,285)**	(2,285)
Total other receivables	**16,772**	27,994
Prepayment	**4,820**	1,452
	21,592	29,446

	The Company	
	31 December 2013 RMB'000	31 December 2012 RMB'000
Trade receivables	**121,782**	166,853
Note receivables	**161,228**	129,441
Less: impairment loss recognised	**(5,829)**	(7,198)
Net trade receivables	**277,181**	289,096
Other receivables	**18,747**	27,042
Less: impairment loss recognised	**(2,285)**	(2,285)
Total other receivables	**16,462**	24,757
Prepayment	**4,755**	1,452
	21,217	26,209

19. TRADE RECEIVABLES/PREPAYMENT AND OTHER RECEIVABLES *(continued)*

Movement in impairment loss recognised:

	The Group and the Company	
	2013	2012
	RMB'000	RMB'000
Trade receivables:		
Balance at beginning of the year	**7,198**	14,512
Impairment losses recognised on receivables	**1,166**	1,412
Amounts recovered during the year (note)	**(2,535)**	(8,726)
Balance at end of the year	**5,829**	7,198
Other receivables:		
Balance at beginning of the year	**2,285**	2,655
Amounts written off as uncollectible	**–**	(370)
Balance at end of the year	**2,285**	2,285

Note: In 2012, the Company received two properties from one of the debtors for settlement of impaired receivables of RMB6,569,000. The fair value of the two properties was approximately to RMB6,569,000.

Included in the Group's and the Company's carrying amount of trade and other receivables as at 31 December 2013 was accumulated impairment loss of RMB5,829,000 (31 December 2012: RMB7,198,000) and RMB2,285,000 (31 December 2012: RMB2,285,000) for trade receivables and other receivables respectively, most of which was past due for over one year as at the end of the reporting period and with no subsequent settlement records.

The Group has a policy of allowing an average credit period of 90 days to its customers. For certain customers with long-established relationship and good repayment histories, a longer credit period up to 180 days may be granted. The following is an aged analysis of trade and note receivables presented based on the date of services/construction services are provided/goods are delivered at the end of the reporting period, which approximated the respective revenue recognition dates.

19. TRADE RECEIVABLES/PREPAYMENT AND OTHER RECEIVABLES *(continued)*

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:

	The Group	
	31 December 2013 RMB'000	31 December 2012 RMB'000
0 – 90 days	**173,501**	163,134
91 – 180 days	**66,426**	87,520
181 – 270 days	**16,296**	19,970
271 – 365 days	**1,700**	–
Over 365 days	**19,258**	18,613
	277,181	289,237

	The Company	
	31 December 2013 RMB'000	31 December 2012 RMB'000
0 – 90 days	**173,501**	162,993
91 – 180 days	**66,426**	87,520
181 – 270 days	**16,296**	19,970
271 – 365 days	**1,700**	–
Over 365 days	**19,258**	18,613
	277,181	289,096

Before accepting any new customer, the Group will assess credit worthiness by customer in considering the customer's quality and determine the credit terms for that customer. In addition, the Group has reviewed the repayment history of receivables by each customer with reference to the payment terms stated in contracts to determine the recoverability of a trade receivable. In the opinion of the directors, receivables neither past due nor impaired have good settlement records and no default history at the end of the reporting date.

19. TRADE RECEIVABLES/PREPAYMENT AND OTHER RECEIVABLES *(continued)*

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– continued

Included in the Group's and the Company's trade receivables balance are debtors with aggregate carrying amount of RMB37 million (2012: RMB39 million) which are past due at the end of the reporting period for which the Group and the Company has not provided for impairment loss because there is no significant change in credit quality of those customers and the amounts are still considered recoverable. The Group and the Company do not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group and the Company to the counterparty.

Aging of trade receivables which are past due but not impaired:

	The Group and the Company	
	31 December 2013 RMB'000	31 December 2012 RMB'000
181 – 270 days	**16,296**	19,970
271 – 365 days	**1,700**	–
Over 365 days	**19,258**	18,613
	37,254	38,583

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

The Group and the Company

(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 35(b).

20. AMOUNTS DUE FROM (TO) A SHAREHOLDER/RELATED PARTIES *(continued)*

The Group and the Company *(continued)*

(b) The amounts due from related parties and 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:

	2013	2012
	RMB'000	RMB'000
0 – 90 days	**31,065**	18,244
90 – 180 days	**2,664**	–
180 – 270 days	**3,407**	–
	37,136	18,244

The credit period is 90 days. Details of the balances are set out in note 35(c).

(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 period are as follows:

	2013	2012
	RMB'000	RMB'000
0 – 90 days	**(74,316)**	(2,297)
180 – 270 days	**(1,846)**	–
	(76,162)	(2,297)

The credit period is 90 days. Details of the balances are set out in note 35(d).

21. HELD FOR TRADING INVESTMENTS

The Group

Held for trading investments represent investments in equity securities listed in the PRC and stated at quoted market bid price. All the held for trading investment were disposed during the year.

22. BANK BALANCES AND CASH

The Group and the Company

Bank balances carry interest at market rate at 0.35% (31.12.2012: 0.35%) per annum.

23. TRADE AND OTHER PAYABLES

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

	The Group	
	31 December 2013 RMB'000	31 December 2012 RMB'000
0 – 90 days	**16,447**	18,532
91 – 180 days	**–**	–
181 – 270 days	**10,207**	303
271 – 365 days	**220**	220
Over 365 days	**1,797**	912
	28,671	19,967
Advance from customers	**144,182**	86,534
Value-added tax payable and other tax payables	**25,138**	24,038
Accrued staff costs and pension	**13,396**	11,043
Accrued expense	**2,694**	3,386
Others	**860**	3,673
	186,270	128,674
	214,941	148,641

23. TRADE AND OTHER PAYABLES *(continued)*

	The Company	
	31 December 2013 RMB'000	31 December 2012 RMB'000
0 – 90 days	**16,447**	17,971
91 – 180 days	**–**	–
181 – 270 days	**10,207**	303
271 – 365 days	**220**	220
Over 365 days	**1,405**	912
	28,279	19,406
Advance from customers	**141,682**	84,534
Value-added tax payable and other tax payables	**25,129**	24,038
Accrued staff costs and pension	**13,015**	10,661
Accrued expense	**2,694**	3,265
Others	**662**	283
	183,182	122,781
	211,461	142,187

24. DEFERRED INCOME

The Group and Company

	Arising from Government grants RMB'000
At 1 January 2013	–
Addition	4,359
Released to income	(15)
At 31 December 2013	4,344
Analysed for reporting purpose as:	
Current portion (included in trade and other payables)	181
Non-current portion	4,163
	4,344

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.

25. 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 31 December 2012 and 31 December 2013	1,339,247,800	500,060,000	183,931

26. SHARE PREMIUM AND RESERVES

The Company

	Attributable to owners of the Company				
	Share premium RMB'000	**Statutory surplus reserves** RMB'000	**Enterprise expansion fund** RMB'000	**Accumulated profits** RMB'000	**Total** RMB'000
At 1 January 2012	788,703	37,333	13,249	363,516	1,202,801
Profit for the year and total comprehensive income for the year	–	–	–	116,494	116,494
Appropriation	–	9,045	4,522	(13,567)	–
At 31 December 2012	788,703	46,378	17,771	466,443	1,319,295
Profit for the year and total comprehensive income for the year	–	–	–	80,574	80,574
Dividends recognised as distribution (note 10)	–	–	–	(29,429)	(29,429)
Appropriation	–	12,093	6,046	(18,139)	–
At 31 December 2013	788,703	58,471	23,817	499,449	1,370,440

27. DEFERRED TAXATION

The following is the major deferred taxation recognised and movements thereon during the year:

The Group and the Company

	Provision for bad and doubtful debts RMB'000	**Accelerated tax depreciation** RMB'000	**Service concession arrangement** RMB'000	**Government Grant** RMB'000	**Total** RMB'000
At 1 January 2012	(3,271)	367	515	–	(2,389)
(Credit) charge for the year	1,921	(24)	328	–	2,225
At 31 December 2012	(1,350)	343	843	–	(164)
(Credit) charge for the year	343	(24)	115	(1,086)	(652)
At 31 December 2013	(1,007)	319	958	(1,086)	(816)

27. DEFERRED TAXATION *(continued)*

The Group and the Company *(continued)*

At the end of reporting period, the Group has unused tax losses of RMB5,788,000 (31 December 2012: RMB7,469,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to unpredictability of future profit streams. Included in unrecognised tax losses are losses of RMB4,730,000 (31 December 2012: RMB1,058,000) and RMB1,058,000 that will be expired in 2018 and 2017 respectively.

28. OTHER FINANCIAL ASSETS

The Group and the Company

The balance represents investments in the wealth management products issued by banks in the PRC which are principal protected and cannot be redeemed before maturity date. The expected annual return rates of individual products are ranged from 5% to 5.6% per annum and investment period are all within 90 days. The financial assets have been designated as financial assets at FVTPL on initial recognition.

The Group's and the Company's wealth management products of RMB153,073,000 and RMB153,073,000 were redeemed subsequent to the end of the reporting period.

29. OPERATING LEASE COMMITMENTS

At the end of the reporting date, the Group and the Company had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

The Group as lessee

	31 December 2013 RMB'000	31 December 2012 RMB'000
Within one year	**1,147**	1,160
In the second year	**26**	1,117
In the third year	**7**	–
	1,180	2,277

The Company as lessee

	31 December 2013 RMB'000	31 December 2012 RMB'000
Within one year	**1,117**	1,144
In the second year	**–**	1,117
	1,117	2,261

The leases are negotiated for an average term of one to two years with fixed monthly rentals.

30. CAPITAL RISK MANAGEMENT

The Group and the Company manage its capital to ensure that entities in the group entities will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's and the Company's overall strategy remains unchanged from prior year.

The capital structure of the Group and the Company consist of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated profits.

The directors of the Company review the capital structure regularly. The Group considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through the payment of dividends, new share issues as well as the raise of borrowings, if needed.

31. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	The Group		The Company	
	31 December 2013 RMB'000	31 December 2012 RMB'000	**31 December 2013 RMB'000**	31 December 2012 RMB'000
Financial assets				
FVTPL	**253,073**	–	**250,473**	–
Loans and receivables (including cash and cash equivalents)	**595,022**	707,886	**578,677**	703,721
Held for trading investments	**–**	2,193	**–**	–
Financial liabilities				
Amortised cost	**318,955**	242,066	**315,475**	235,733

31. FINANCIAL INSTRUMENTS *(continued)*

b. Financial risk management objectives and policies

The Group's principal financial instruments include trade receivables, other receivables, held for trading investment, other financial assets, trade and other payables and amount due from/to a shareholder/related parties, dividend payable and bank balances. The Company's principal financial instruments include trade and other receivables, other financial assets, trade and other payables, amounts due from/to a shareholder and related parties and bank balances. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The directors manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group's activities expose to the financial risks included interest rate risk and other price risk.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

(i) *Interest rate risk*

The Group and the Company is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank deposits.

Sensitivity analysis

No sensitivity analyses have been prepared as the management considers that such exposure for variable-rate bank deposits is limited.

(ii) *Other price risk*

The Group is exposed to equity price risk through its investments in listed equity securities and wealth management products designed as financial assets at FVTPL. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group has appointed a team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

No sensitivity analyses have been prepared as the investments in listed equity securities were disposed during the year and the management considers that such exposure for wealth management products is limited.

31. FINANCIAL INSTRUMENTS *(continued)*

b. Financial risk management objectives and policies *(continued)*

Credit risk

The Group's and the Company's credit risk is primarily attributable to its trade and other receivables. In order to minimise the credit risk, the directors of the Company continuously monitor the level of exposure to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group and the Company is exposed to some concentration of credit risk on trade receivables. At 31 December 2013, the five largest trade debtor accounted for approximately RMB169,862,000 (61%) (2012: 193,666,000.00(67%)) of the Group's total trade and note receivables. The Group delegate a team for determining the credit limits, credit approval and other monitoring procedures on customers, the Group had also explored new markets and new customers in order to minimise the concentration of credit risk.

The table below shows the carrying amount of 5 largest trade debtors of the Group and the Company at the end of reporting date:

Counterparty	Location	31 December 2013 Carrying amount RMB'000	31 December 2012 Carrying amount RMB'000
Company A (note 1)	The PRC	58,586	63,355
Company B (note 1)	The PRC	38,115	(note 3)
Company C (note 1)	The PRC	29,230	34,260
Company D (note 1)	The PRC	24,781	18,514
Company E (note 2)	The PRC	19,150	61,142
Company F (note 2)	The PRC	(note 4)	16,395

Notes:

1. The corresponding carrying amount is balance of note receivables.

2. The corresponding carrying amount is balance of trade receivables.

3. The corresponding carrying amount did not contribute to 5 largest trade debtors of the Group in 2012.

4. The corresponding carrying amount did not contribute to 5 largest trade debtors of the Group in 2013.

31. FINANCIAL INSTRUMENTS *(continued)*

b. Financial risk management objectives and policies *(continued)*

Credit risk *(continued)*

The above debtors were all industrial users for piped gas which engaged in manufacturing business. The balance due from the respective debtors was within the credit limit granted by the Group and the Company and the debtors received good internal credit rating assessed by the Group and the Company.

The credit risk on amounts due from a shareholder and related parties is limited because they have good repayment history.

The credit risk on bank balances and cash is limited because majority of the counterparties are state-owned banks with good reputation or banks with good credit rating.

Other than concentration of credit risk on liquid funds and certain trade receivables, the Group and the Company does not have any other significant concentration of credit risk. The remaining trade receivables consist of a large number of customers which spread across diverse industries.

The Group's and the Company's geographical concentration of credit risk is from customers located in Tianjin, PRC as at 31 December 2013 and 2012.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the Group's short, medium and long-term funding and liquidity management requirements. The Group and the Company manages liquidity risk by maintaining adequate reserves of cash and bank balance and by continuously monitoring forecast, actual cash flows and the maturity profiles of financial liabilities.

The Group's holdings of cash and short-term deposits, together with net cash flow from operations, are expected to be sufficient to cover the operating cost of the Group in the next financial year. The directors consider that the Group expects to have adequate source of funding to finance the Group and manage the liquidity position.

31. FINANCIAL INSTRUMENTS *(continued)*

b. Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

The following table details the remaining contractual maturity for the financial liabilities of the Group and the Company as at 31 December 2013 and 2012 based on the contractual repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay.

The Group

	On demand or less than 3 months RMB'000	3 months to 1 year RMB'000	1 year to 2 year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
Non-derivative financial liabilities					
As at 31 December 2013					
Trade and other payables	**212,247**	**–**	**–**	**212,247**	**212,247**
Dividend payables	**30,546**	**–**	**–**	**30,546**	**30,546**
Amount due to a related party	**76,162**	**–**	**–**	**76,162**	**76,162**
	318,955	**–**	**–**	**318,955**	**318,955**
As at 31 December 2012					
Trade and other payables	145,255	–	–	145,255	145,255
Dividend payables	9,118	–	–	9,118	9,118
Amount due to a shareholder	77,968	7,428	–	85,396	85,396
Amount due to a related party	2,297	–	–	2,297	2,297
	234,638	7,428	–	242,066	242,066

31. FINANCIAL INSTRUMENTS *(continued)*

b. Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

The Company

	On demand or less than 3 months RMB'000	3 months to 1 year RMB'000	1 year to 2 year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
Non-derivative financial liabilities					
As at 31 December 2013					
Trade and other payables	**208,767**	**–**	**–**	**208,767**	**208,767**
Dividend payables	**30,546**	**–**	**–**	**30,546**	**30,546**
Amount due to a related party	**76,162**	**–**	**–**	**76,162**	**76,162**
	315,475	**–**	**–**	**315,475**	**315,475**
As at 31 December 2012					
Trade and other payables	138,922	–	–	138,922	138,922
Dividend payables	9,118	–	–	9,118	9,118
Amount due to a shareholder	77,968	7,428	–	85,396	85,396
Amount due to a related party	2,297	–	–	2,297	2,297
	228,305	7,428	–	235,733	235,733

31. FINANCIAL INSTRUMENTS *(continued)*

c. Fair value

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value 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 31 December 2013	Fair value hierarchy	Valuation technique and key inputs	Relationship of unobservable inputs to fair value
Wealth management products classified as financial assets at FVTPL	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.

Note: The directors consider that the impact of the fluctuation in expected annual return rates to the fair value of the wealth management products was insignificant as the wealth management products have short maturities, and therefore no sensitivity analysis in presented.

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

32. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY

On 26 January 2011, 天津天聯投資有限公司 ("天聯投資"), a wholly-owned subsidiary of the Group, entered into a share transfer agreement with Mr. Yang Jiaping and Mr. Liu Xiaoming (the "Former Shareholder"), independent third parties, to acquire the additional 39% equity interest in its associate 貴州津維 at a cash consideration of RMB8,000,000. In addition, on the same date, 貴州津維 entered into a share transfer agreement with Mr. Yang Jiaping and Mr. Liu Xiaoming to acquire the 70% equity interest in 貴州國新, at a cash consideration of RMB2,000,000.

On 30 June 2012, the Group completed its acquisition of the additional 39% equity interest of 貴州津維 and 貴州津維 completed its acquisition of 70% equity interest of 貴州國新 (the "Acquisition"). After the completion of the Acquisition, the Group's interest in 貴州津維 increased from 49% to 88% and 貴州津維 and 貴州國新 both became non-wholly owned subsidiaries of the Group. The Acquisition was accounted for as acquisition of assets and liabilities as 貴州津維 and 貴州國新 have not commenced any operation and therefore not constitute as a business.

The fair values of net assets acquired in the transaction are as follows:

	31 December 2012 RMB'000
Bank balance and cash	526
Other receivables	248
Property, plant and equipment	4,520
Intangible assets	16,766
Other payables	(1,594)
Amount due to a related party	(1,320)
	19,146
Non-controlling interest	(4,065)
Total consideration	15,081
Satisfied by:	
Cash consideration (note i)	8,000
Carrying amount of previously held interest in an associate (note ii)	7,081

Note i: During the year, the Former Shareholders agreed to refund RMB3,000,000 as they failed to assist the Group to obtain the mineral exploration certificate in accordance with the supplementary agreement dated on 30 June 2012.

Note ii: The fair value of the previously held interest in an associate approximates to its carrying amount.

32. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY *(continued)*

Net cash outflow arising on acquisition

	RMB'000
Cash consideration paid	3,000
Less: Bank balance and cash acquired	(526)
	2,474

33. CAPITAL COMMITMENTS

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

	31 December 2013 RMB'000	31 December 2012 RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**230**	1,506

34. RETIREMENT BENEFIT SCHEME

As stipulated in the rules and regulations in the PRC, the Group contributes to the retirement benefit scheme managed by a local social security bureau in the PRC. The Group contributes a certain percentage of basic salaries of its employees to the retirement plan, and has no further obligation for the actual payment of the previous or post retirement benefit. The retirement benefit scheme is responsible for the entire present obligation to retired employees.

During the year, the retirement benefit scheme contributions amounted to RMB18,913,000 (2012: RMB16,956,000).

35. RELATED PARTY TRANSACTIONS/BALANCES

(a) During the year, the following related parties transactions took place:

Name of related party	Relationship	Nature of transactions	The Group and the Company 31 December 2013 RMB'000	 31 December 2012 RMB'000
Tianjin Gas	Holding company	Purchase of piped gas	**325,733**	1,138,218
		Gas transportation income	**1,670**	11,942
		Rental Expenses	**933**	700
津燃華潤燃氣有限公司	Joint venture of the holding company	Purchase of piped gas	**823,442**	–
		Gas transportation income	**8,041**	2,297
天津市燃氣熱力規劃設計院	Subsidiary of holding company	Construction design fee	**2,114**	–
天津泰華燃氣有限公司	Subsidiary of holding company	Sales of gas	**153,031**	124,405
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**	34,470
濱海中油燃氣有限責任公司	Subsidiary of holding company	Sales of gas	**67**	–
天津市液化氣工程有限公司	Subsidiary of holding company	Gas connection services	**2,191**	–
天津市聯益燃氣配套工程有限責任公司	Subsidiary of holding company	Gas connection services	**1,261**	–
天津市裕民燃氣表具有限公司	Subsidiary of holding company	Purchase of gas meters	**2,935**	–
天津市聯寅燃氣通信技術有限責任公司	Subsidiary of holding company	Purchase of meter reading devices	**18**	–
天津市津燃物業管理有限公司	Subsidiary of holding company	Property management fee	**488**	–

35. RELATED PARTY TRANSACTIONS/BALANCES *(continued)*

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

Name of related party	Relationship	Balance	The Group and the Company 31 December 2013 RMB'000	31 December 2012 RMB'000
Tianjin Gas	Holding company	Amount due to a shareholder	–	85,396
		Amount due from a shareholder	13,933	–

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

Name of related party	Relationship	The Group and the Company 31 December 2013 RMB'000	31 December 2012 RMB'000
天津泰華燃氣有限公司	Subsidiary of the holding company	27,888	18,244
津燃華潤燃氣有限公司	Joint venture of the holding company	8,926	–
天津市燃氣熱力規劃設計院	Subsidiary of the holding company	322	–
Total		37,136	18,244

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

Name of related party	Relationship	The Group and the Company 31 December 2013 RMB'000	31 December 2012 RMB'000
津燃華潤燃氣有限公司	Joint venture of the holding company	68,763	–
天津市裕民燃氣表具有限公司	Subsidiary of the holding company	3,434	–
天津市液化氣工程有限公司	Subsidiary of the holding company	2,104	–
天津市聯益燃氣配套工程有限責任公司	Subsidiary of the holding company	1,261	–
天津市燃氣熱力規劃設計院	Subsidiary of the holding company	527	2,297
濱海中油燃氣有限責任公司	Subsidiary of the holding company	55	–
天津市聯寅燃氣通信技術有限責任公司	Subsidiary of the holding company	18	–
Total		76,162	2,297

35. RELATED PARTY TRANSACTIONS/BALANCES *(continued)*

(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. In addition, the Group has entered into various banking transactions, which are government-related entities, including deposits placements. 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 year.

(f) Compensation of key management personnel

The remuneration of directors, supervisors, general manager and other members of key management during the year were as follows:

	The Group	
	2013	2012
	RMB'000	RMB'000
Short-term benefit	**1,420**	1,424
Post employment benefit	**43**	25
	1,463	1,449

36. SUBSIDIARIES

Details of the Company's subsidiaries at 31 December 2013 and 2012 are as follows:

Name	Place of registration and operation	Registered capital	Proportion of registered capital held by the Company 2013	2012	Principal activities
烏盟乾生津燃公用事業有限責任公司 (note i)	PRC	RMB1,000,000	60%	60%	Dormant
天聯投資	PRC	RMB20,000,000	100%	100%	Investment
貴州津維	PRC	RMB26,000,000	88%	88%	Mining business
貴州國新	PRC	RMB5,000,000	70%	70%	Mining business

Note:

(i) The subsidiary is dormant and has commenced the procedure of deregistration. Up to the date of issuance of these consolidated financial statements, the above deregistration has not been finished.

(ii) All subsidiaries of the Company are limited liability companies established in the PRC.

(iii) None of subsidiaries had issued any debt securities at the end of the year.

In the opinions of the directors, the details of the non-wholly owned subsidiaries have not been disclosed as the amounts involved are insignificant.

FIVE YEAR SUMMARY

RESULTS

	For the year ended 31 December				
	2013	2012	2011	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**1,494,634**	1,538,939	1,058,017	383,631	317,992
Profit for the year and total comprehensive income for the year	**80,779**	119,118	90,907	76,707	66,367
Profit for the year and total comprehensive income for the year attributable to owners of the Company	**84,425**	119,577	90,907	76,707	66,367

ASSET AND LIABILITIES

	As at 31 December				
	2013	2012	2011	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	**896,006**	712,715	563,689	306,473	265,140
Non-current assets	**1,005,422**	1,064,640	1,086,466	495,513	470,793
Current Liabilities	**326,484**	257,924	246,549	85,900	96,558
Non-Current Liabilities	**4,163**	–	7,428	817	813
Equity attributable to owners of the Company	**1,570,751**	1,515,755	1,396,178	715,269	638,562