



天津津燃公用事業股份有限公司

TIANJIN JINRAN PUBLIC UTILITIES COMPANY LIMITED

(formerly known as Tianjin Tianlian Public Utilities Company Limited)

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

Stock Code: 1265

2012

Interim Report



CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	NOTES	Six months ended 30 June	
		2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)
Revenue	3	790,573	337,825
Cost of sales		(707,388)	(289,346)
Gross profit		83,185	48,479
Other income	4a	6,681	3,869
Other gains and losses	4b	320	(397)
Selling expenses		(20)	(13)
Administrative expenses		(9,173)	(10,132)
Share of profit of associates		1,638	2,377
Finance costs	5	-	(168)
Profit before tax	6	82,631	44,015
Income tax expense	7	(20,510)	(10,901)
Profit and total comprehensive income for the period		62,121	33,114
Profit and total comprehensive income for the period attributable to Owners of the Company		62,121	33,114
Earnings per share – basic (RMB cents)	9	3.38	2.25

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2012

	NOTES	30 June 2012 RMB'000 (unaudited)	31 December 2011 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	10	307,168	306,194
Prepaid lease payments	11	7,923	8,024
Intangible assets	12	734,119	738,582
Interests in associates		20,724	26,167
Prepayment		97	110
Deferred tax assets		2,942	3,271
Deposit for acquisition of additional interest in an associate		–	5,000
		1,072,973	1,087,348
Current assets			
Inventories		1,006	922
Trade receivables	13	341,867	266,554
Prepayments and other receivables		26,686	20,646
Amount due from an associate	19(a)	–	1,490
Held for trading investments		1,943	2,046
Bank balances and cash		218,954	272,031
		590,456	563,689
Current liabilities			
Trade and other payables	14	120,199	143,216
Dividend payable		9,118	9,118
Income tax payable		12,669	9,238
Amount due to a shareholder	15	50,345	83,861
Amount due to a related party	19(a)	332	1,116
		192,663	246,549
Net current assets		397,793	317,140
Total assets less current liabilities		1,470,766	1,404,488

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2012

	NOTES	30 June 2012 RMB'000 (unaudited)	31 December 2011 RMB'000 (audited)
Capital and reserves			
Share capital	16	183,931	183,931
Share premium and reserves		1,274,368	1,212,247
Equity attributable to owners of the Company		1,458,299	1,396,178
Non-controlling interests		4,065	–
Total Equity		1,462,364	1,396,178
Non-current liabilities			
Amount due to a shareholder	15	7,428	7,428
Deferred tax liabilities		974	882
		8,402	8,310
		1,470,766	1,404,488

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Attributable to owners of the Company					Total	Non-Controlling interest	Total
	Share capital	Share premium	Statutory surplus reserve	Enterprise expansion fund	Accumulated profits			
	RMB'000	RMB'000	RMB'000 (note i)	RMB'000 (note i)	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2011 (audited)	114,960	267,672	29,640	9,402	293,595	715,269	-	715,269
Profit and total comprehensive income for the period	-	-	-	-	33,114	33,114	-	33,114
Issue of Domestic Shares (note ii)	68,971	521,031	-	-	-	590,002	-	590,002
Appropriation	-	-	7,693	3,847	(11,540)	-	-	-
At 30 June 2011 (unaudited)	183,931	788,703	37,333	13,249	315,169	1,338,385	-	1,338,385
Profit and total comprehensive income for the period	-	-	-	-	57,793	57,793	-	57,793
At 31 December 2011 (audited)	183,931	788,703	37,333	13,249	372,962	1,396,178	-	1,396,178
Profit and total comprehensive income for the period	-	-	-	-	62,121	62,121	-	62,121
Appropriation	-	-	9,045	4,522	(13,567)	-	-	-
Acquisition of a subsidiary (Note 18)	-	-	-	-	-	-	4,065	4,065
At 30 June 2012 (unaudited)	183,931	788,703	46,378	17,771	421,516	1,458,299	4,065	1,462,364

Notes:

(i) Basis of appropriation of reserves

Prior to August 2007, the Company's and each of its subsidiaries' Articles of Association require the appropriation of 10% of its profit after taxation 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 taxation 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 reserve are made out of net profit after taxation 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.

- (ii) Pursuant to the announcement of the Company dated 5 October 2009 and the circular of the Company dated 31 December 2010 in relation to the very substantial acquisition, the Company entered into the Assets Acquisition Agreement with 天津市燃气集團有限公司 ("Tianjin Gas"), pursuant to which the Company conditionally agreed to acquire from Tianjin Gas part of the tangible assets and gas ancillary facilities (including outdoor pipelines) and the right for distribution of gas (the "Transferred Assets") held by the Hedong District Sales Offices and the Heping District Sales Offices of both the Transmissions Branch and the First Sales Branch of Tianjin Gas (both branches of Tianjin Gas). To satisfy the consideration, the Company issued, in aggregate, 689,707,800 Domestic Shares to Tianjin Gas on 7 April 2011 and the transaction was completed on 11 April 2011.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

	NOTES	Six months ended 30 June	
		2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)
Operating activities			
Net cash used in operating activities		(43,592)	(43,956)
Investing activities			
Addition to intangible assets		(4,643)	(108)
Purchase of property, plant and equipment		(3,414)	(1,441)
Acquisition of a subsidiary	18	(2,474)	–
Proceeds from disposal of property, plant and equipment		3	–
Deposit for acquisition of additional interest in an associate		–	(5,000)
Decrease in short-term bank deposits with original maturity more than three months		–	2,060
Advance to an associate		–	(1,310)
Interest received		1,043	401
Net cash used in investing activities		(9,485)	(5,398)
Financing activities			
Dividend paid		–	(625)
Repayment of borrowings		–	(40,000)
Cash used in financing activities		–	(40,625)
Net decrease in cash and cash equivalents		(53,077)	(89,979)
Cash and cash equivalents at 1 January		272,031	228,924
Cash and cash equivalents at 30 June, represented by bank balances and cash		218,954	138,945

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as disclosed below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011.

In the current interim period, the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are mandatorily effective for the current interim period. The application of these amendments to HKFRSs in current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

3. SEGMENT INFORMATION

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

Six months ended 30 June 2012

	Gas connection RMB'000	Gas transportation RMB'000	Sales of piped gas RMB'000	Sales of gas appliances RMB'000	Consolidated RMB'000
Segment revenue from external customers	68,802	6,831	706,328	3,505	785,466
Segment profit	45,325	2,647	34,206	543	82,721

Reconciliation of revenue

	RMB'000
Total segments revenue	785,466
Revenue from construction of gas pipeline infrastructure	5,107
Revenue	790,573

Reconciliation of segment profit

	RMB'000
Total segment profit	82,721
Profit from construction of gas pipeline infrastructure	464
Share of profit of associates	1,638
Other income	6,681
Other gains and losses	320
Corporate expenses	(9,193)
Profit before tax	82,631

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

3. SEGMENT INFORMATION (continued)

Six months ended 30 June 2011

	Gas connection RMB'000	Gas transportation RMB'000	Sales of piped gas RMB'000	Sales of gas appliances RMB'000	Consolidated RMB'000
Segment revenue from external customers	42,082	1,773	290,140	272	334,267
Segment profit	28,807	515	18,627	206	48,155

Reconciliation of revenue

	RMB'000
Total segments revenue	334,267
Revenue from construction of gas pipeline infrastructure	3,558
Revenue	337,825

Reconciliation of segment profit

	RMB'000
Total segment profit	48,155
Profit from construction of gas pipeline infrastructure	324
Share of profit of associates	2,377
Other income	3,869
Other gains and losses	(397)
Corporate expenses	(10,145)
Finance costs	(168)
Profit before tax	44,015

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

4A. OTHER INCOME

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
Value added tax refund	5,638	3,468
Bank interest income	1,043	401
	6,681	3,869

4B. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
Net gains (losses) on fair value change of held for trading investments	320	(397)

5. FINANCE COSTS

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
Interest on bank borrowings wholly repayable within five years	–	(168)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

6. PROFIT BEFORE TAX

Profit before tax for the period has been arrived at after charging (crediting):

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
Cost of gas purchased	603,374	242,990
Depreciation of property plant and equipment	6,957	3,290
Amortisation of intangible assets (included in cost of sales)	26,336	12,154
Amortisation of prepaid lease payments (included in administrative expenses)	101	101
Operating lease rentals in respect of rented premises	320	163
(Reversal of allowances) allowances for bad and doubtful debts in respect of trade receivables	(1,312)	756

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
The charge comprises:		
Current PRC enterprise income tax	20,089	11,032
Deferred taxation	421	(131)
	20,510	10,901

The Company and subsidiaries are subject to the PRC Enterprise Income Tax rate of 25% for six months ended 30 June 2012 (six months ended 30 June 2011: 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

8. DIVIDEND

No dividends were declared or proposed during both periods. The directors have determined that no dividend will be paid in respect of the current interim period (six months ended 30 June 2011: nil).

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
Earnings		
Earnings for the purpose of basic earnings per share		
Profit for the period attributable to owners of the Company	62,121	33,114
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,839,308	1,469,685

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

10. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred approximately RMB7,934,000 (six months ended 30 June 2011: RMB37,748,000) on acquisition of property, plant and equipment of which approximately RMB4,520,000 was from acquisition 貴州津維礦業投資有限公司 (「貴州津維」) as detailed in Note 18.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

11. PREPAID LEASE PAYMENTS

	30 June 2012 RMB'000	31 December 2011 RMB'000
Leasehold land outside Hong Kong:		
Medium-term lease	8,138	8,239
Analysed for reporting purpose as:		
Current portion (included in deposits, prepayments and other receivables)	215	215
Non-current portion	7,923	8,024
	8,138	8,239

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

12. INTANGIBLE ASSET

During the current interim period, the Group completed the acquisition of 貴州省台江縣國新鉛鋅選礦有限責任公司(“貴州國新”) through increase of equity interest of 貴州津維. 貴州國新 owns the mining right of the lead-zinc mine located in Taijiang Country, Guizhou Province. The fair value of the mining right is RMB16,766,000 upon completion of the acquisition.

13. TRADE RECEIVABLES

	30 June 2012 RMB'000	31 December 2011 RMB'000
Trade receivables	163,365	130,006
Note receivables	191,702	151,060
Less: Impairment loss recognised	(13,200)	(14,512)
	341,867	266,554

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

13. TRADE RECEIVABLES (continued)

The Group has a policy of allowing a credit period of 90 days to its trade customers. For certain customers with long-established relationship and good past repayment record, a longer credit period up to 180 days may be granted.

The aged analysis of trade and note receivables net of allowance based on invoice date is as follows:

	30 June 2012 RMB'000	31 December 2011 RMB'000
0-90 days	225,453	173,138
91-180 days	79,307	76,909
181-270 days	29,456	2,341
271-365 days	–	185
Over 365 days	7,651	13,981
	341,867	266,554

14. TRADE AND OTHER PAYABLES

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

	30 June 2012 RMB'000	31 December 2011 RMB'000
0-90 days	20,265	21,655
91-180 days	–	804
181-270 days	1,349	101
271-365 days	156	40
Over 365 days	616	475
	22,386	23,075

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

15. AMOUNTS DUE TO A SHAREHOLDER

The amounts were unsecured, interest-free and repayable on demand except for an amount due to a shareholder of RMB7,428,000 which will be paid on or before October 2013 (see Note 17(2)). All of the remaining amount due to a shareholder is of trade nature and aged within 90 days at the end of the reporting period.

16. SHARE CAPITAL

	Number of shares		Registered, issued and fully paid Share Capital
	Domestic Shares	H Shares	RMB'000
Shares of RMB0.1 each			
As at 1 January 2011	649,540,000	500,060,000	114,960
Issued as consideration for the acquisition of assets (note)	689,707,800	–	68,971
As at 30 June 2011 and 31 December 2011 and 30 June 2012	1,339,247,800	500,060,000	183,931

Note: Pursuant to the announcement of the Company dated 5 October 2009 and the circular of the Company dated 31 December 2010 in relation to the very substantial acquisition, the Company entered into the Assets Acquisition Agreement with a shareholder, 天津市燃氣集團有限公司 ("Tianjin Gas"), pursuant to which the Company conditionally agreed to acquire from Tianjin Gas the Transferred Assets with fair value of approximately RMB590,002,000. The fair value of shares was based on the valuation of Transferred Assets performed by Assets Appraised Limited. To satisfy the consideration, the Company issued, in aggregate, 689,707,800 Domestic Shares to Tianjin Gas on 7 April 2010 and the transaction was completed on 11 April 2011. The H Shares and Domestic Shares rank pari passu in all respects.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

17. CAPITAL COMMITMENTS

- (1) At the end of the reporting date, the Group has the following commitments:

	30 June 2012 RMB'000 (unaudited)	31 December 2011 RMB'000 (audited)
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	1,651	–
Capital expenditure authorised but not contracted for in respect of acquisition of property, plant and equipment	–	3,501
Capital expenditure in respect of the acquisition of additional interest of an associate	–	3,000

- (2) Pursuant to the conditional entrusted construction agreement dated 6 October 2008 entered between the Company and Tianjin Gas, in relation to the entrustment of Tianjin Gas for the construction of pipelines projects in Tianjin, with total consideration not exceeding RMB224,500,700 (include entrustment fee RMB6,538,700), this transaction has been approved by the shareholders in March 2009. The Group has paid construction fee and entrustment fee amounted to RMB13,622,000 (six months ended 30 June 2012: nil) to Tianjin Gas during the six months ended 30 June 2011. This transaction has been completed in October 2011, and the total construction cost including entrustment fee was RMB219,632,000. The remaining balance of RMB7,428,000 which is 5% of the total contract sum will be paid on the second anniversary of the date of completion of construction.

18. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY

On 26 January 2011, 天津天聯投資有限公司, a wholly-owned subsidiary of the Group, entered into a share transfer agreement with Mr. Yang Jiaping and Mr. Liu Xiaoming, independent third parties, to acquire the additional 39% equity interest in its associate 貴州津維 at a cash consideration of RMB 8,000,000. 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 RMB 2,000,000.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

18. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY (continued)

During the six months ended 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 was 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:

	RMB'000
Cash & cash equivalents	526
Trade & other receivables	248
Property, plant and equipment	4,520
Intangible assets	16,766
Trade and other payables	(1,594)
Amount due to a related party	(1,320)
	19,146
Non-controlling interest	(4,065)
	15,081

Satisfied by:

Cash (including deposit paid of RMB5,000,000 as of 31 December 2011)	8,000
Carrying amount of previously held interest in an associate (note)	7,081
	15,081

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

Net cash outflow arising on acquisition

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

19. RELATED PARTY TRANSACTIONS/BALANCES

(a) During the period, the following related party transactions/balances took place:

Name of related party	Relationship	Nature of transactions	Six months ended 30 June	
			2012 RMB'000	2011 RMB'000
Tianjin Gas	Shareholder	Purchase of gas	600,164	239,810
		Construction fee and entrustment fee	-	13,622
		Gas transportation income	6,831	1,773
天津市煤氣工程設計院 (Note i)	Fellow subsidiary	Construction design fee	332	3
Name of related party	Relationship	Nature of balances	30 June 2012 RMB'000	31 December 2011 RMB'000
Tianjin Gas	Shareholder	Amount due to a shareholder		
		- current	(50,345)	(83,861)
		- non-current	(7,428)	(7,428)
			(57,773)	(91,289)
天津市煤氣工程設計院 (Note i)	Fellow subsidiary	Amount due to a related party	332	1,116
貴州津維	Associate (Note ii)	Amount due from an associate	-	1,490

Note i: Amount due to 天津市煤氣工程設計院 which is a wholly owned subsidiary of Tianjin Gas is of construction design fee nature and is aged within 90 days.

Note ii: 貴州津維 became a subsidiary of the Group as at 30 June 2012 as disclosed in Note 18.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

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

(a) During the period, the following related party transactions/balances took place: *(continued)*

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 which have been disclosed in other notes to the condensed 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, including deposits placements which are government-related entities. The Group has also entered into various transactions, including other operating expenses with other government-related entities which individually and collectively were insignificant during the period.

(b) Compensation of key management personnel

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

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
Short-term benefit	833	800
Post employment benefit	16	6
	849	806

20. EVENT AFTER THE END OF REPORTING PERIOD

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). An updated business license with the new name of the Group 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 Group is currently carrying out necessary filing procedures with the Registrar of Companies in Hong Kong. Subject to the confirmation of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the English and Chinese stock names for the Shares trading on the Stock Exchange will also be changed.

MANAGEMENT DISCUSSION AND ANALYSIS

Since the listing of the H shares (“H Shares”) of the Tianjin Jinran Public Utilities Company Limited (formerly known as Tianjin Tianlian Public Utilities Company Limited) (the “Company”) on The Stock Exchange of Hong Kong Limited (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.

BUSINESS REVIEW

For the six months ended 30 June 2012 (the “Period”), the Group reported a revenue of approximately RMB790.57 million, representing an increase of approximately 134.02% as compared with the first half year of 2011. The Group’s net profit for the first half year of 2012 amounted to approximately RMB62.12 million (six months ended 30 June 2011: RMB33.11 million).

Segmental Information Analysis

During the six months ended 30 June 2012, the Group has continued its formulated development strategies to provide piped gas connection to the users in the Group’s operational locations in Tianjin City and Jining, Inner Mongolia. Sales of piped gas is the major source of income for the Group, which is followed by gas connection, gas transportation and sales of gas appliances. The Group will further expand the operation in these four areas, in order to attain its strategic objectives for the remaining period of this year.

Liquidity, Financial Resources and Capital Structure

The Group is generally funded by equity financing. As at 30 June 2012, the Group did not have any bank borrowing.

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

The Group's asset liability ratio (total liabilities to total asset rate) as at 30 June 2012 was approximately 12.09%.

Contingent Liabilities

As at 30 June 2012, the Group had no material contingent liabilities or guarantees.

Staff and Emolument Policy

As at 30 June 2012, the Group had a workforce of 997 full-time employees.

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

DIVIDEND

No dividends were declared or proposed during the reporting period. The directors do not recommend the payment of an interim dividend.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The following is the comparison of the actual business progress to the information provided under the section headed “Statement of Business Objective” in the circular of the Company dated 31 December 2010 in relation to the Assets Acquisition Agreement (the “Circular”). The Company was treated as a deemed new listing applicant as result of the acquisition, which was completed on 11 April 2011.

For the period from 1 January 2012 to 30 June 2012

	Business objectives stated in the Circular	Actual business progress
Expansion in existing Operational Locations	<ul style="list-style-type: none"> • To expand gas pipeline connections in the Group’s existing Operational Locations • Estimated number of new connections of approximately 4,000 users 	The number of new connections in Xiao Hai Di of Hexi District, part of Jinnan District, Xiqin District, Hangu District and Ninghe District for the six months ended 30 June 2012 was approximately 5,200 users.
Expansion of gas pipelines network via acquisitions	<ul style="list-style-type: none"> • To expand gas pipeline connections in the new operational locations in Hedong District and Heping District in Tianjin City • Estimated number of new connections of approximately 4,000 users 	For the six months ended 30 June 2012, there were 10 gas pipeline connection projects and approximately 17,000 newly connected users in Hedong and Heping Districts.

	Business objectives stated in the Circular	Actual business progress
Development of piped natural gas operations in Jining City	<ul style="list-style-type: none"> • To make new connections within Jining • Estimated number of new connections of approximately 3,000 users 	For the six months ended 30 June 2012, there were approximately 4,300 newly connected users in Jining City.
Gas transportation via Gangnan Pipeline and Beihuan Pipeline	<ul style="list-style-type: none"> • Transmit gas of approximately 750 million cubic meters 	For the six months ended 30 June 2012, gas transmission volume was approximately 270 million cubic meters, which was lower than expected. It was mainly attributable to the gas transmission to Tianjin Gas through the Gangnan Pipeline and Beihuan Pipeline, decreased as the demand for gas from the respective regions were low.
Expansion in Binhai New District	<ul style="list-style-type: none"> • Invest further capital of approximately RMB40 million in Binhai Gas 	The Company is still in negotiation with Tianjin Gas for the expansion in the Binhai New District.
Transfer of Listing	<ul style="list-style-type: none"> • To complete 	The Company has successfully listed on the Main Board on 18 October 2011.

PROSPECTS

Assets Transfer

On 16 September 2009, the Company entered into an assets acquisition agreement (the “Assets Acquisition Agreement”) with Tianjin Gas Group Company Limited 天津市燃氣集團有限公司 (“Tianjin Gas”), pursuant to which the Company has agreed to acquire from Tianjin Gas (the “Assets Transfer”) the assets (which consisted of part of the tangible assets and gas ancillary facilities held by the Hedong District Sales Offices and the Heping District Sales Offices of both Transmission Branch and First Sales Branch of Tianjin Gas, including outdoor pipelines of over 1,400 kilometres, domestic pipelines connected to approximately 360,000 users as at 30 June 2010, and the related machinery and electronic equipment and 40 vehicles) (the “Transferred Assets”).

The Company has received the formal approval from the relevant Industry and Commerce Administrative Bureau on 11 April 2011 by the issuance of the business licence in relation to the allotment of consideration shares (the “Consideration Shares”) of 689,707,800 domestic shares of the Company (the “Domestic Shares”) and the amendment to the articles of association of the Company for the increase of the registered capital of the Company which was dated 7 April 2011. Although the said business licence from the relevant Industry and Commerce Administrative Bureau was dated 7 April 2011, the Company only received the business licence on 11 April 2011. In this regard, all conditions under the Assets Acquisition Agreement were fulfilled and accordingly the completion of the Assets Transfer took place on 11 April 2011. Upon completion of the Assets Transfer, the Transferred Assets are owned by the Group and the Group has started to provide piped gas to the users connected by the Transferred Assets.

The Directors consider that the Group will continue to benefit from the Assets Transfer. In particular, (i) the Assets Transfer will continue to significantly increase the operation scale of the Group in terms of number of users and areas of operation; (ii) the Assets Transfer will continue to broaden and diversify the Group’s client base; (iii) the Assets Transfer will continue to increase the market share of the gas business of the Group in Tianjin; (iv) the Transferred Assets are located in urban districts, where the local pipeline networks and other pipeline-related facilities have been fully developed, thus the Company does not have to inject additional capital to develop the relevant facilities; and (v) the Transferred Assets are profitable assets.

Development of the PRC Gas Sector

With the fast growth of China's economy and the gradual increase of private investments, all the recent factors indicate that the growth of the energy industry in China remains strong. Combined with the special attention of the State on the West-to-East Pipeline Project and environmental protection measures, the gas industry in China is still growing rapidly. In view of environmental protection and efficiency, the Chinese government plans to gradually reduce the use of coal and instead encourage the use of green fuels such as various natural gases.

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 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.

Improving living standards and increasing environmental consciousness in the PRC helped spur the country's demand for natural gas. Production of natural gas in the PRC continued to grow strongly. 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. The Group believes 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.

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.

At present, the businesses of the Group are 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.

Based on these achievements, the Group will further strengthen the operating management of existing businesses and input greater resources into the market development.

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

As at 30 June 2012, the interests and short positions of the Directors, chief executives and supervisors ("Supervisors") of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the required standard of dealings by Directors and Supervisors as referred to in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (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 in the above paragraph, as at 30 June 2012, none of the Directors, chief executives and Supervisors of the Company had interests or short positions in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the required standard of dealings by Directors and Supervisors as referred to in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange.

Substantial Shareholders and Other Shareholders

So far as known to the Directors, as at 30 June 2012, the following persons, not being a Director, chief executive or Supervisor of the Company, had interests or short positions in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and required to be recorded in the register kept by the Company pursuant to section 336 of the SFO:

Substantial Shareholders

Long position

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

Name of Shareholder	Capacity	Number of Domestic Shares held	Approximate percentage of interests in the Company/ Domestic Shares of the Company
Tianjin Beacon Coatings Co., Ltd (Note 1) 天津燈塔塗料有限公司	Beneficial owner	118,105,313	6.42%/8.82%
Tianjin Gas Group Company Limited 天津市燃氣集團有限公司	Beneficial owner	943,517,487 (Note 2)	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 3)	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: Out of 943,517,487 domestic Shares, the interest in 689,707,800 domestic Shares derived from the Consideration Shares (as defined in the paragraph headed "Assets Transfer" of this report).

Note 3: As at 30 June 2012, Mr. Bai Shao Liang held 76% interests in 天津市萬順置業有限公司 (Tianjin Wanshun Real Estate Company Limited) and is a director of such company. Ms. Li Sha is the wife of Mr. Bai Shao Liang. Under the SFO, Mr. Bai Shao Liang and Ms. Li Sha are taken to be interested in all the shares held by Tianjin Wanshun Real Estate Company Limited.

Other Shareholders

Long position

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

Name of Shareholder	Capacity	Number of Domestic Shares held	Approximate percentage of interests in the Company/ Domestic 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%

Name of Shareholder	Capacity	Number of Domestic Shares held	Approximate percentage of interests in the Company/ Domestic Shares of the Company
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. As at 30 June 2012, 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 30 June 2012, the Directors are not aware of any person, not being a Director, chief executive or Supervisor of the Company, who had interests or short positions in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and required to be recorded in the register kept by the Company pursuant to section 336 of the SFO.

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

During the six months ended 30 June 2012, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Directors' Interests in Contracts

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

COMPETING INTERESTS

Each of Mr. Jin Jian Ping (an executive Director and the Chairman of the Company) and Mr. Dong Hui Qiang (an 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, on 9 December 2003, Tianjin Gas has entered into a non-competition agreement (the "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 has further entered 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 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 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 GEM 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).

Given the terms of the Non-Competition Agreement and the Supplemental Non-Competition Agreement 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.

Save as disclosed above, as at 30 June 2012, 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.

Corporate Governance

The Company has complied with all the code provisions of the Code on Corporate Governance Practices as formerly set out in Appendix 14 of the Listing Rules for the period from 1 January 2012 to 31 March 2012, and all the code provisions of the Corporate Governance Code (the new edition of the Code on Corporate Governance Practices which took effect on 1 April 2012) for the period from 1 April 2012 to 30 June 2012.

Arrangements to Purchase Shares or Debentures

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

Code of Conduct Regarding Securities Transactions by Directors

The Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules has been adopted as a code of securities transactions for Directors and supervisors of the Company (the “Code”). The Company, having made specific enquiries with its Directors and supervisors, confirms that, during the six months ended 30 June 2012, all the Directors and supervisors of the Company have complied with the required standards set out in the Code for securities transaction.

AUDIT COMMITTEE

The Board established an audit committee (the “Audit Committee”) on 3 December 2003 with written terms of reference in compliance with the Listing Rules. The primary duties of the Audit Committee are to review and to provide supervision over the financial reporting process and internal control system of the Group. During 1 January 2012 to 20 June 2012, the Audit Committee comprised the then three independent non-executive Directors, namely Professor Zhang Yu Li, Mr. Luo Wei Kun and Mr. Chan Shun Kuen, Eric. During 20 June 2012 to 30 June 2012, the Audit Committee comprised three independent non-executive Directors, namely Professor Zhang Yu Li, Mr. Luo Wei Kun and Mr. Tam Tak Kei, Raymond. The Audit Committee has reviewed the unaudited interim results and report for the six months ended 30 June 2012.

SIGNIFICANT EVENTS

SUPPLEMENTAL AGREEMENT IN RELATION TO THE 2009 GAS TRANSPORTATION CONTRACT AND THE 2012 GAS TRANSPORTATION CONTRACT

The Company entered into a natural gas transportation contract dated 2 July 2009 (the “2009 Gas Transportation Contract”) with Tianjin Gas, controlling shareholder of the Company, in respect of the provision of gas transportation services through the two high pressure gas pipelines owned and managed by the Company, namely (1) the high pressure gas pipelines extending from Dazhangtuo (大張坨) underground gas storage exit in Dagang District (大港區), Tianjin connected to the cross point of Hangang Highway (漢港公路) and Jingu Highway (津沽公路) of Bin Hai Zhong You Gas Pipeline (濱海中油輸氣管線) in Jinnan District (津南區), Tianjin (the “Gangnan Pipeline”) and (2) 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”), for natural gas transmission by Tianjin Gas for the period commencing from the effective date of the 2009 Gas Transportation Contract to 31 December 2011, details of which were set out in the Company’s circular dated 24 July 2009.

The Company entered into a natural gas transportation contract dated 28 October 2011 (the “2012 Gas Transportation Contract”) with Tianjin Gas in respect of the renewal of provision of gas transportation services through the Gangnan Pipeline and the Beihuan Pipeline for natural gas transmission by Tianjin Gas for the period commencing from 1 January 2012 to 31 December 2014, details of which were set out in the Company’s circular dated 25 November 2011.

Pursuant to the 2009 Gas Transportation Contract, the Company agreed to allow Tianjin Gas to transmit natural gas via the Gangnan Pipeline and the Beihuan Pipeline. In return, Tianjin Gas would pay to the Company natural gas transportation fees (the “2009 Gas Transportation Fees”). The 2009 Gas Transportation Fees were 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”). In any event, the annual caps for the 2009 Gas Transportation Fees for the years ended 31 December 2009, 31 December 2010 and 31 December 2011 were RMB18,000,000, RMB40,000,000 and RMB55,000,000 respectively (the “2009 Annual Caps”).

Pursuant to the 2012 Gas Transportation Contract, the Company agrees to allow Tianjin Gas to transmit natural gas via the Gangnan Pipeline and the Beihuan Pipeline. In return, Tianjin Gas will pay to the Company natural gas transportation fees (the “2012 Gas Transportation Fees”). The 2012 Gas Transportation Fees are calculated based on the Formula. In any event, the annual caps for the 2012 Gas Transportation Fees for the years ending 31 December 2012, 31 December 2013 and 31 December 2014 are RMB19,520,000, RMB32,480,000 and RMB36,272,000 respectively (the “2012 Annual Caps”).

As represented by Tianjin Gas, due to the demand of natural gas from the end users and the gas operators customers of Tianjin Gas in Binhai New District was smaller than expected, the monthly actual volume of gas transported through the Beihuan Pipeline for the period since the date of commencement of gas transportation through the Beihuan Pipeline i.e. 1 October 2011 has been lower than expected and has been lower than RMB500,000. In light of the lower than expected volume of gas transmitted through 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 with Tianjin Gas on 27 March 2012, pursuant to which the Company and Tianjin Gas have agreed 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 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 Contract (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. Besides, the 2009 Gas Transportation Fees payable by Tianjin Gas to the Company for the Gangnan Pipeline and the Beihuan Pipeline for the three years ended 31 December 2011, counting in the Shortfall for the period commencing from 1 October 2011 to 31 December 2011, shall not exceed the relevant 2009 Annual Caps and the aggregate 2012 Gas Transportation Fees payable by Tianjin Gas to the Company for the Gangnan Pipeline and the Beihuan Pipeline for the three years ending 31 December 2014, counting in the Shortfall for the period commencing from 1 January 2012 to 27 March 2012, shall not exceed the relevant 2012 Annual Caps.

Save for the aforesaid amendments, no other changes has been made to the terms of the 2009 Gas Transportation Contract and the 2012 Gas Transportation Contract, including the time for payment of the gas transportation fees.

For details, please refer to the Company's circulars dated 24 July 2009 and 25 November 2011, respectively, and the Company's announcement dated 27 March 2012.

CHANGE OF CHAIRMAN OF REMUNERATION COMMITTEE AND ESTABLISHMENT OF A NOMINATION COMMITTEE

In order to comply with the amendments to the Listing Rules which has taken effect on 1 April 2012 (the "Listing Rules Amendments"), Mr. Jin Jian Ping ceased to be the chairman of the remuneration committee of the Company (the "Remuneration Committee") and Mr. Luo Wei Kun has been appointed as chairman of the Remuneration Committee with effect from 29 March 2012. The then members of the Remuneration Committee remained unchanged, namely Mr. Luo Wei Kun (Chairman), Mr. Jin Jian Ping and Mr. Chan Shun Kuen, Eric, among whom, Mr. Luo Wei Kun and Mr. Chan Shun Kuen, Eric were independent non-executive Directors and Mr. Jin Jian Ping was the chairman of the Board and an executive Director.

In order to comply with the Listing Rules Amendments, on 29 March 2012, the Board has resolved to establish a nomination committee of the Company (the "Nomination Committee"). The members of the Nomination Committee comprised such Directors as appointed by the Board. The members of the Nomination Committee are Mr. Jin Jian Ping (Chairman), Mr. Zhang Yu Li, Mr. Luo Wei Kun, among whom, Mr. Jin Jian Ping is the chairman of the Board and an executive Director, and Mr. Zhang Yu Li and Mr. Luo Wei Kun are independent non-executive Directors.

For details, please refer to the Company's announcement dated 29 March 2012.

CHANGE OF COMPANY NAME

The Company changed the names of the Company from “天津天聯公用事業股份有限公司 (Tianjin Tianlian Public Utilities Company Limited)” to “天津津燃公用事業股份有限公司 (Tianjin Jinran Public Utilities Company Limited)” (the “Change of Company Name”). The Board considered the names of “天津津燃公用事業股份有限公司 (Tianjin Jinran Public Utilities Company Limited)” would better reflect the business scope of the Group and improve brand recognition of the Group. As such, the Board, including the independent non-executive Directors, considered that the Change of Company Name was in the interests of the Company and the Shareholders as a whole.

The Change of Company Name was subject to, among other things, the satisfaction of the following conditions:

- (i) the passing of special resolutions by the Shareholders at the extraordinary general meeting approving the Change of Company Name and the relevant amendments to the articles of association of the Company (the “Articles”); and
- (ii) all relevant approval, authorities, licences and consents have been obtained from the relevant authorities in the PRC, and all filings and registration procedures in the PRC have been completed for the use of the proposed names of “天津津燃公用事業股份有限公司 (Tianjin Jinran Public Utilities Company Limited)”.

The special resolutions approving the Change of Company Name and the relevant amendments to the Articles were passed by the Shareholders at the extraordinary general meeting held on 20 June 2012. A new business license bearing 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. Hence the abovementioned conditions were satisfied and the Change of Company Name has taken effect accordingly. The Company is currently carrying out necessary filing procedures with the Registrar of Companies in Hong Kong. Subject to the confirmation of the Stock Exchange, the English and Chinese stock short names for trading in the H Shares on the Stock Exchange will also be changed.

The Change of Company Name will not affect any of the rights of the Shareholders. All existing share certificates of the Company in issue bearing the old names of the Company will continue to be effective and as documents of title to the Shares and will continue to be valid for trading, settlement, registration and delivery purposes. Accordingly, there will not be any arrangement for free exchange of the existing share certificates for new share certificates bearing the new names of the Company. New share certificates of the Company will be issued under the new names of the Company. The colour of the new share certificates of the Company will be in blue.

Further announcement will be made by the Company relating to the effective date of change of the Company's stock short names.

For details, please refer to the Company's circular dated 4 May 2012 and the Company's announcement relating to the poll results of the extraordinary general meeting dated 20 June 2012.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Company made certain amendments to the Articles in relation to (i) the Change of Company Name; (ii) alteration of the references to the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange in the Articles to the Listing Rules in view of the transfer of listing of the H Shares from the Growth Enterprise Market of the Stock Exchange to the Main Board on 17 October 2011; (iii) the prevailing Company Law of the People's Republic of China; and (iv) other rationalization and unification of texts and statements in the Articles.

The special resolutions approving the aforesaid amendments to the Articles had been passed by the Shareholders at the extraordinary general meeting and the annual general meeting held on 20 June 2012, and such amendments has taken effect on 17 August 2012 upon the completion of the necessary filings with the competent PRC authorities.

For details, please refer to the Company's circulars dated 4 May 2012 and 24 May 2012, respectively, and the Company's announcements relating to the poll results of the extraordinary general meeting and annual general meeting, both dated 20 June 2012.

APPOINTMENT, RETIREMENT AND RE-ELECTION OF DIRECTORS AND SUPERVISORS

The resolutions approving the re-election of retiring Directors, namely Mr. Jin Jian Ping, Mr. Dong Hui Qiang, Ms. Tang Jie, Mr. Bai Shao Liang and Mr. Zhang Tian Hua as executive Directors, and Professor Zhang Yu Li, Mr. Luo Wei Kun and Mr. Tam Tak Kei, Raymond as independent non-executive Directors, the appointment of Mr. Wang Zhi Yong as non-executive Director, the re-election of retiring supervisors of the Company, namely Mr. Cao Shu Jing and Professor Qi Yin Feng as supervisors of the Company, and the appointment of Mr. Jiang Nian as supervisor of the Company, were passed by the Shareholders at the annual general meeting held on 20 June 2012.

Mr. Sun Xue Gang and Ms. Hao Li were re-appointed as the staff representative supervisors of the Company at the staff representative's meeting.

Mr. Gong Jing has resigned as a non-executive Director and Mr. Chan Shun Kuen, Eric has resigned as an independent non-executive Director, respectively, with effect from 20 June 2012.

For details, please refer to the Company's circular dated 4 May 2012 and the Company's announcement relating to the poll results of the annual general meeting dated 20 June 2012.

CHANGE OF MEMBERS OF REMUNERATION COMMITTEE AND AUDIT COMMITTEE

Mr. Chan Shun Kuen, Eric has resigned as a member of each of the Remuneration Committee and the Audit Committee with effect from 20 June 2012. Mr. Tam Tak Kei, Raymond, an independent non-executive Director, has been appointed as a member of the Remuneration Committee and the Audit Committee with effect from 20 June 2012.

Following the aforesaid changes, the chairmen and members of the (1) Audit Committee and (2) Remuneration Committee are as follows:

- (1) Audit Committee
 Zhang Yu Li (*Chairman*)
 Luo Wei Kun
 Tam Tak Kei, Raymond
- (2) Remuneration Committee
 Luo Wei Kun (*Chairman*)
 Jin Jian Ping
 Tam Tak Kei, Raymond

For details, please refer to the Company's announcement relating to the poll results of the annual general meeting dated 20 June 2012.

ACQUISITIONS OF GUIZHOU JINWEI AND GUIZHOU GUOXIN

On 26 January 2011, Tianjin Tianlian Investment Company Limited (天津天聯投資有限公司), an wholly-owned subsidiary of the Company, entered into an equity transfer agreement to acquire an additional 39% equity interest in Guizhou Jinwei Mining Investment Company Limited* (貴州津維礦業投資有限公司) ("Guizhou Jinwei") at a cash consideration of RMB 8,000,000 (the "Acquisition 1"). On the same date, Guizhou Jinwei entered into an equity transfer agreement to acquire 70% equity interest in Guizhou Province Taijiang County New Lead and Zinc Mineral Extraction Company Limited* (貴州省台江縣國新鉛鋅選礦有限責任公司) ("Guizhou Guoxin") at a cash consideration of RMB 2,000,000 (the "Acquisition 2"). The Acquisition 1 and Acquisition 2 were completed on 30 June 2012. After the completion of the Acquisition 1 and Acquisition 2, the Group's interest in Guizhou Jinwei increased from 49% to 88% and both Guizhou Jinwei and Guizhou Guoxin became

* For identification purpose only

subsidiaries of the Company. After the completion of Acquisition 1 and Acquisition 2, the Group has controlled the mining right and the exploration right of lead and zinc mine. The Group shall obtain return through the exploration of the lead and zinc mine. As at the date of this report, the construction of the mine and the ancillary flotation plant has been basically completed. Official production will commence in 2012.

By order of the Board
Tianjin Jinran Public Utilities Company Limited
Jin Jian Ping
Chairman

Tianjin, PRC, 29 August 2012

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