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

Interim Report 2013

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2013

		Six months ended	
	NOTES	**30 June 2013 RMB'000 (unaudited)**	30 June 2012 RMB'000 (unaudited)
Revenue	3	**790,593**	790,573
Cost of sales		**(708,584)**	(707,388)
Gross profit		**82,009**	83,185
Other income	4	**6,842**	6,681
Other gains and losses	5	**4,874**	1,632
Selling expenses		**(22)**	(20)
Administrative expenses		**(12,642)**	(10,485)
Share of profit of associates		**3,583**	1,638
Profit before tax	6	**84,644**	82,631
Income tax expense	7	**(21,535)**	(20,510)
Profit and total comprehensive income for the period		**63,109**	62,121
Profit (loss) and total comprehensive income (expenses) for the period attributable to:			
Owners of the Company		**63,738**	62,121
Non-controlling interests		**(629)**	–
		63,109	62,121
Earnings per share			
– basic (RMB cents)	9	**3.47**	3.38

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

	NOTES	**30 June 2013 RMB'000 (unaudited)**	31 December 2012 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	10	**307,637**	317,291
Prepaid lease payments	11	**12,535**	7,822
Intangible assets	12	**691,444**	716,512
Interests in associates		**26,350**	22,767
Prepayment		**71**	84
Deferred tax assets		**–**	164
		1,038,037	1,064,640
Current assets			
Inventories		**1,237**	1,184
Trade receivables	13	**331,296**	307,481
Prepayments and other receivables		**25,110**	29,446
Held for trading investments		**686**	2,193
Other financial assets	14	**198,000**	–
Bank balances and cash		**198,445**	372,411
		754,774	712,715
Current liabilities			
Trade and other payables	15	**138,797**	148,641
Dividend payable		**37,746**	9,118
Income tax payable		**8,771**	12,472
Amount due to a shareholder	16	**51,785**	85,396
Amounts due to related parties	16	**2,534**	2,297
		239,633	257,924
Net current assets		**515,141**	454,791
Total assets less current liabilities		**1,553,178**	1,519,431

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

	NOTES	30 June 2013 RMB'000 (unaudited)	31 December 2012 RMB'000 (audited)
Capital and reserves			
Share capital	17	**183,931**	183,931
Share premium and reserves		**1,366,133**	1,331,824
Equity attributable to owners of the Company		**1,550,064**	1,515,755
Non-controlling interests		**3,047**	3,676
Total Equity		**1,553,111**	1,519,431
Non-current liabilities			
Deferred tax liabilities		**67**	–
		1,553,178	1,519,431

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 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 interest** RMB'000	**Total** RMB'000
At 1 January 2012 (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 (Note20)	–	–	–	–	–	–	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
Profit and total comprehensive income for the period	–	–	–	–	57,456	57,456	(389)	57,067
At 31 December 2012 (audited)	183,931	788,703	46,378	17,771	478,972	1,515,755	3,676	1,519,431
Profit and total comprehensive income for the period	–	–	–	–	63,738	63,738	(629)	63,109
Dividends recognised as distribution (Note 8)	–	–	–	–	(29,429)	(29,429)	–	(29,429)
Appropriation			12,093	6,046	(18,139)	–	–	–
At 30 June 2013 (unaudited)	183,931	788,703	58,471	23,817	495,142	1,550,064	3,047	1,553,111

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.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

	NOTE	Six months ended 30 June 2013 RMB'000 (unaudited)	 2012 RMB'000 (unaudited)
Operating activities			
Net cash from (used in) operating activities		**35,501**	(43,128)
Investing activities			
Payment for construction of infrastructure for service concession arrangement		**(4,663)**	(5,107)
Payment for property, plant and equipment		**(9,834)**	(3,414)
Acquisition of a subsidiary	20	**–**	(2,474)
Proceeds from disposal of property, plant and equipment		**2**	3
Acquisition of financial assets at fair value through profit or loss ("FVTPL")		**(1,475,200)**	–
Proceeds from redemption of financial assets at FVTPL		**1,280,750**	–
Interest received		**279**	1,043
Net cash used in investing activities		**(208,666)**	(9,949)
Cash used in financing activity			
Dividend paid		**(801)**	–
Net decrease in cash and cash equivalents		**(173,966)**	(53,077)
Cash and cash equivalents at 1 January		**372,411**	272,031
Cash and cash equivalents at 30 June, represented by bank balances and cash		**198,445**	218,954

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

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 described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

In the current interim period, the Group has applied, for the first time, certain new or revised 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. In addition, the Group has applied the following policy applicable to its financial assets at fair value through profit or loss acquired during the current interim period.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Financial assets at fair value through profit or loss ("FVTPL")

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated as at FVTPL on initial recognition.

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 19.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

HKFRS 10 Consolidated Financial Statements

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 application of HKFRS 10 in the 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.

The directors of the Company have assessed the Group's involvement in its investees and concluded that the application of HKFRS 10 has had no material impact on these condensed consolidated financial statements.

HKFRS 12 Disclosure of Interests in Other Entities

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive. The directors of the Company consider that the application of HKFRS 12 will affect the Group's disclosures in the annual consolidated financial statements for the year ending 31 December 2013.

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for fair value measurements and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statement.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

HKFRS 13 Fair Value Measurement *(continued)*

The scope of HKFRS 13 is broad; it applies 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, subject to a few exceptions. HKFRS 13 contains a new definition for "fair value" and defines fair value as the price that would be received to sell an assets or paid to transfer 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 requirement.

In accordance with the transitional provision of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. Disclosures of fair value information are set out in note 19.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, 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 existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the title of "condensed consolidated statement of comprehensive income" is changed to "condensed consolidated statement of profit and loss and other comprehensive income". 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.

Except as described above, the application of the other new or revised HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

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 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	697,305	83,455	4,610	560	–	785,930
Segment profit (loss)	26,967	54,479	1,313	466	(1,640)	81,585

Reconciliation of revenue

	RMB'000
Total segments revenue	785,930
Revenue from construction of gas pipeline infrastructure	4,663
Revenue	790,593

Reconciliation of segment profit

	RMB'000
Total segment profit	81,585
Profit from construction of gas pipeline infrastructure	424
Share of profit of associates	3,583
Other income	6,842
Other gains and losses	4,874
Corporate expenses	(12,664)
Profit before tax	84,644

3. SEGMENT INFORMATION *(continued)*

Six-months ended 30 June 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	706,328	68,802	6,831	3,505	–	785,466
Segment profit	34,206	45,325	2,647	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	1,632
Corporate expenses	(10,505)
Profit before tax	82,631

4. OTHER INCOME

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Value added tax refund	**6,568**	5,638
Bank interest income	**274**	1,043
	6,842	6,681

5. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Gain on fair value change of financial assets at FVTPL	**4,044**	–
Reversal of allowance for bad and doubtful debts	**619**	1,312
Net gains on fair value change of held for trading investments	**211**	320
	4,874	1,632

6. PROFIT BEFORE TAX

	Six months ended	
	30/06/2013	30/06/2012
	RMB'000	RMB'000
Profit before tax for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**7,014**	6,957
Amortisation of intangible assets (included in cost of sales)	**29,355**	26,336
Total depreciation and amortisation	**36,369**	33,293
Cost of gas purchased	**595,978**	603,374
Amortisation of prepaid lease payments (included in administrative expenses)	**139**	101
Operating lease rentals in respect of rented premises	**597**	320

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
The charge comprises:		
Current PRC enterprise income tax	**21,304**	20,089
Deferred taxation	**231**	421
	21,535	20,510

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

8. DIVIDEND

During the current interim period, 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. No dividend was declared during the six months ended 30 June 2012 in respect of the year ended 31 December 2011. The aggregate amount of the final dividend declared during the current interim period amounted to RMB29,429,000.

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Final dividends of RMB0.016 per share for the year ended 31 December 2012 recognised as distribution during the interim period (2011: Nil)	**29,429**	–

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: 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	
	2013	2012
	RMB'000	RMB'000
Earnings		
Earnings for the purpose of basic earnings per share		
Profit for the period attributable to owners of the Company	**63,738**	62,121
Number of shares		
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 periods.

10. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group incurred approximately RMB2,406,000 (six months ended 30 June 2012: RMB7,934,000 of which approximately RMB4,520,000 was from the acquisition of 貴州津維礦業投資有限公司 ("貴州津維") as detailed in note 20) on acquisition of property, plant and equipment.

In addition, the Group paid construction cost of pipelines projects amount to RMB7,428,000 during the current interim period (six months ended 30 June 2012: Nil) as detailed in note 18(2).

11. PREPAID LEASE PAYMENTS

	30 June 2013 RMB'000	31 December 2012 RMB'000
Leasehold land outside Hong Kong:		
Medium-term lease	**12,848**	8,037
Analysed for reporting purpose as:		
Current portion (included in deposits, prepayments and other receivables)	**313**	215
Non-current portion	**12,535**	7,822
	12,848	8,037

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

At 30 June 2013, the Group is in the process of applying title certificates for certain leasehold land with a carrying value of approximately RMB4,950,000.

12. INTANGIBLE ASSETS

The intangible assets represent the right for distribution of gas in certain district in the PRC and mining right.

13. TRADE RECEIVABLES

	30 June 2013 RMB'000	31 December 2012 RMB'000
Trade receivables	**161,697**	185,238
Note receivables	**176,178**	129,441
Less: Impairment loss recognised	**(6,579)**	(7,198)
	331,296	307,481

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 is based on the date of delivery of goods or the billing date of contract works which approximate to revenue recognition date as follows:

	30 June 2013 RMB'000	31 December 2012 RMB'000
0-90 days	**259,207**	181,378
91-180 days	**32,298**	87,520
181-270 days	**23,690**	19,970
271-365 days	**600**	–
Over 365 days	**15,501**	18,613
	331,296	307,481

14. OTHER FINANCIAL ASSETS

The balance represents investment in the financial products issued by Ping An Bank Company Limited ("Ping An Bank") which the principal is guaranteed and could not be terminated before maturity date. The expected annual return rates of individual products are ranged from 3.8% to 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.

15. 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 2013 RMB'000	31 December 2012 RMB'000
0-90 days	**22,421**	18,532
91-180 days	**647**	–
181-270 days	**2,003**	303
271-365 days	**–**	220
Over 365 days	**1,215**	912
	26,286	19,967
Advance from customers	**86,944**	86,534
Value-added tax payable and other tax payables	**13,438**	24,038
Accrued staff costs and pension	**5,487**	11,043
Accrued expense	**2,815**	3,386
Others	**3,827**	3,673
	112,511	128,674
	138,797	148,641

16. AMOUNTS DUE TO A SHAREHOLDER/RELATED PARTIES

Amount due to a shareholder and the amount due to related parties are of trade nature and aged within 90 days at the end of the reporting period. Details are set out in note 21 (a).

17. 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 2012, 30 June 2012, 1 January 2013 and 30 June 2013	1,339,247,800	500,060,000	183,931

18. CAPITAL COMMITMENTS

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

	30 June 2013 RMB'000 (unaudited)	31 December 2012 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	**318**	1,506

(2) Pursuant to the conditional entrusted construction agreement dated 6 October 2008 entered into between the Company and 天津市燃氣集團有限公司 ("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. This transaction was completed in October 2011, and the total construction cost including entrustment fee was RMB219,632,000. The Group has paid construction fee and entrustment fee amounted to RMB212,204,000 as of 31 December 2012 to Tianjin Gas. The remaining balance of RMB7,428,000 which is 5% of the total contract sum has been paid during the current interim period (six months ended 30 June 2012: Nil).

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(continued)*

- 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/financial liabilities		Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
		At 30 June 2013	At 31 December 2012		
1)	Listed equity securities classified as held for trading investment	Assets: RMB686,000	Assets: RMB2,193,000	Level 1	Quoted bid price in active market
2)	Financial products of Ping An Bank classified as financial assets at FVTPL.	Assets: RMB198,000,000	Nil	Level 2	Discounted cash flow, future cash flows are estimated based on expected interest rates.

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

20. 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 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 貴州省台江縣國新鉛鋅選礦有限責任公司 ("貴州國新"), at a cash consideration of RMB2,000,000.

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

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 to 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 had 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 and cash equivalents	526
Trade and 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)
Total consideration	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 arsing on acquisition

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

21. 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 2013 RMB'000	Six months ended 30 June 2012 RMB'000
Tianjin Gas	Holding company	Purchase of gas Gas transportation income Rental expense	**591,533** **4,610** **467**	600,164 6,831 –
天津市燃氣熱力規劃設計院 (Note i)	Fellow subsidiary	Construction design fee	**1,751**	332
天津市液化氣工程有限公司 (Note i)	Fellow subsidiary	Construction cost	**907**	–
天津市津燃物業管理有限公司	Fellow subsidiary	Property management fee	**242**	–

Name of related party	Relationship	Nature of balances	30 June 2013 RMB'000	31 December 2012 RMB'000
Tianjin Gas	Holding company	Amount due to a shareholder	**51,785**	85,396
天津市燃氣熱力規劃設計院 (Note i)	Fellow subsidiary	Amount due to a related party	**1,627**	2,297
天津市液化氣工程有限公司 (Note i)	Fellow subsidiary	Amount due to a related party	**907**	–

Note i: Amounts due to 天津市燃氣熱力規劃設計院 and 天津市液化氣工程有限公司 which are wholly owned subsidiaries of Tianjin Gas are payables in respect of construction design fee and construction cost and aged within 90 days.

21. 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 in the ordinary course of business. The directors of the Company consider those government-related entities are independent third parties so far as the Group's business transactions with them are concerned.

The Group provides gas connection services and sales of piped gas and gas appliance to certain companies which are government-related entities. In addition, the Group has entered into various 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 current interim 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	
	2013	2012
	RMB'000	RMB'000
Short-term benefit	**919**	836
Post employment benefit	**14**	13
	933	849

MANAGEMENT DISCUSSION AND ANALYSIS

Since the listing of the H shares ("H Shares") of the Tianjin Jinran Public Utilities Company Limited 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 2013 (the "Period"), the Group reported a revenue of approximately RMB790.59 million, representing an increase of approximately 0.003% as compared with the first half year of 2012. The Group's net profit for the first half year of 2013 amounted to approximately RMB63.11 million (six months ended 30 June 2012: RMB62.12 million).

In the first half year of 2013, the revenue generated from gas connection services has increased by 21% as compared with the corresponding period of last year. Gross profit of the Company during the Period remained at a similar level to last year. The major factors are that the property market in Tianjin district has gradually picked up, and the number of new residential property projects in the districts of Jinnan, Xiqing and Dongli is increasing. Besides, the demand of the commercial residential houses in the cities and counties such as Ninghe and Hangu are higher due to the relatively inexpensive housing prices, thus, the Company received more gas connection orders during the Period.

During the Period, the revenue generated from gas transportation has decreased by RMB2,221,000 as compared with the corresponding period of last year. The major factors are that the revenue generated from gas transportation of the corresponding period in 2012 comprised of the revenue of RMB1,500,000 which had not been realised in 2011 from the income of Beihuan line. On the other hand, subsequent to the replacement of business tax by value-added tax, the level of taxation borne by the Company has increased from 3% to 11%.

In 2011, the Company acquired assets from Tianjin Gas, and it has been stablised after the consolidation of assets in the last two years. The natural gas business has also gradually matured and stablised. During the Period, the revenue generated from natural gas remained at a similar level to last year without significant changes.

During the Period, the revenue generated from other streams has increased remarkably as compared with the corresponding period of last year. The major reason is due to the fact that the Company has invested in financial products with its idle capital starting from the year of 2013. The Company has realised an interest income of RMB4,044,000 from the financial products in the first half of 2013.

Segmental Information Analysis

During the six months ended 30 June 2013, 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, sales of gas appliances and mineral exploration. The Group will further expand the operation in these five 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 2013, 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 gearing ratio (total liabilities to total asset rate) as at 30 June 2013 was approximately 13%.

Contingent Liabilities

As at 30 June 2013, the Group had no material contingent liabilities or guarantees.

Staff and Emolument Policy

As at 30 June 2013, the Group had a workforce of 1,010 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 discretional 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

Except for the final dividend of RMB0.016 per share in respect of the year ended 31 December 2012 to the shareholders of the Company (the "Shareholders"), no dividends were declared or proposed during the Period. The directors of the Company do not an interim dividend for the six months ended 30 June 2013.

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 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 environment 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 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 principally 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 2013, 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 2 under the section "Substantial Shareholders")	Held by controlled corporation	235,925,000	12.83%/17.62%

Save as disclosed in the above paragraph, as at 30 June 2013, 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 2013, 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) 天津燈塔涂料有限公司	Beneficial owner	118,105,313	6.42%/8.82%
Tianjin Gas Group Company Limited 天津市燃氣集團有限公司	Beneficial owner	943,517,487	51.30%/70.45%
Tianjin Wanshun Real Estate Company Limited 天津市萬順置業有限公司	Beneficial owner	235,925,000	12.83%/17.62%
Ms. Li Sha (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 30 June 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 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. As at 30 June 2013, 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 2013, 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 2013, 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

As at 30 June 2013, each of Mr. Jin Jian Ping (the executive Director and the then chairman of the Company) and Mr. Dong Hui Qiang (an executive Director) held positions with Tianjin Gas but they did 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 confirmed that he/she did not have any interest in a business which competed or might compete with the business of the Group during the Period.

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 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 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 Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (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 2013, the Directors were not aware of any business or interest of the Directors, the controlling shareholders of the Company and their respective associates, that competed or might compete with the business of the Group and any other conflicts of interest which any such person had or might have with the Group.

Corporate Governance

For the six months ended 30 June 2013, the Company complied with all the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules.

Arrangements to Purchase Shares or Debentures

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

Code of Conduct Regarding Securities Transactions by Directors

The Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules has been adopted as a code of securities transactions for Directors and supervisors of the Company (the "Code"). The Company, having made specific enquiries with its Directors and supervisors, confirms that, during the six months ended 30 June 2013, all the Directors and supervisors of the Company had complied with the required standards set out in the Code for securities transaction by the Directors and supervisors.

AUDIT COMMITTEE

The Board established an audit committee (the "Audit Committee") on 3 December 2003 with written terms of reference in compliance with the Listing Rules. The primary duties of the Audit Committee are to review and to provide supervision over the financial reporting process and internal control system of the Group. From 1 January 2013 to 30 June 2013, the Audit Committee comprised three independent non-executive Directors, namely Professor Zhang Yu Li, Mr. Luo Wei Kun and Mr. Tam Tak Kei, Raymond. The Audit Committee has reviewed the unaudited interim results for the six months ended 30 June 2013 and this report.

SIGNIFICANT EVENTS

APPOINTMENT OF INDEPENDENT SUPERVISOR

The resolution approving the appointment of Mr. Dou Run Liang as independent supervisor of the Company was passed by the Shareholders at the annual general meeting of the Company held on 14 June 2013.

For details, please refer to the Company's circular dated 29 April 2013 and the Company's announcement dated 28 March 2013 and the announcement relating to the poll results of the annual general meeting dated 14 June 2013.

SUBSEQUENT EVENTS

PIPELINE CONSTRUCTION FRAMEWORK AGREEMENT WITH TIANJIN GAS

On 12 July 2013, the Company and Tianjin Gas 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").

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

CHANGE OF GENERAL MANAGER

Professor Qi Yin Feng, a then independent supervisor of the Company, passed away on 28 August 2012.

On 26 July 2013, Mr. Zheng Tai Qi, having reached the retirement age, retired as the general manager of the Company with effect from 26 July 2013. On the same day, Mr. Zhang Guo Jian has been appointed as the general manager of the Company with effect from 26 July 2013.

For details, please refer to the Company's announcement dated 26 July 2013.

AMENDMENT TO THE TERMS OF REFERENCE OF THE NOMINATIONS COMMITTEE

The terms of reference of the nomination committee of the Company was amended on 28 August 2013 to include the review of the Company's board diversity policy and the progress on achieving the objectives set for implementing the said policy as one of its duty.

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

Tianjin, PRC, 28 August 2013

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, 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.