天津津燃公用事業股份有限公司
TIANJIN JINRAN PUBLIC UTILITIES COMPANY LIMITED

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

Stock Code: 1265

Annual Report 2016

CONTENTS

COMPANY INFORMATION

DIRECTORS

Executive Directors

Zhang Tian Hua *(Chairman)*
Wang Wen Xia
Tang Jie
Zhang Guo Jian
Hou Shuang Jiang

Non-executive Director

Li Da Chuan

Independent Non-executive Directors

Zhang Ying Hua
Yu Jian Jun
Guo Jia Li

INDEPENDENT SUPERVISORS

Xu Hui
Xue You Zhi (resigned on 14 January 2016)
Liu Zhi Yuan (appointed on 22 June 2016)

STAFF REPRESENTATIVE SUPERVISORS

Hao Li
Feng Jin Hu

SHAREHOLDERS REPRESENTATIVE SUPERVISOR

Yang Hu Ling

COMPANY SECRETARY

Wong Yat Tung

AUTHORISED REPRESENTATIVES

Zhang Guo Jian
Wong Yat Tung

BOARD COMMITTEES

Audit Committee

Guo Jia Li *(Chairman)*
Zhang Ying Hua
Yu Jian Jun

Nomination Committee

Zhang Tian Hua *(Chairman)*
Zhang Ying Hua
Yu Jian Jun

Remuneration Committee

Zhang Ying Hua *(Chairman)*
Guo Jia Li
Hou Shuang Jiang

COMPANY INFORMATION

LEGAL ADDRESS

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

PRINCIPAL PLACE OF BUSINESS IN THE PRC

Floor 9, Gangao Tower,
No.18 Zhengzhou Road,
Heping District, Tianjin

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

18F, Tesbury Centre,
28 Queen's Road East,
Wanchai, Hong Kong

AUDITORS

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

HONG KONG LEGAL ADVISER

Lin and Associates
1501-2, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716,
17th Floor,
Hopewell Centre
183 Queen's Road East, Wanchai, Hong Kong

PRINCIPAL BANKER

Agricultural Bank of China
Tianjin He Xi Sub-branch
PRC

STOCK CODE

01265

FINANCIAL SUMMARY

	2016 RMB'000	2015 RMB'000
Continuing operations		
Revenue	**1,198,149**	1,322,843
Gross profit	**29,632**	27,089
Profit for the year from continuing operations, all attributable to owners of the Company	**39,129**	38,705
Equity attributable to owners of the Company	**1,709,749**	1,672,274
Total assets	**2,361,731**	2,211,211

	2016 RMB (cents)	2015 RMB (cents)
Earnings per share		
From continuing and discontinued operations		
– basic RMB (cents)	**2.0**	2.0

To all the shareholders (the "Shareholders") of the Company:

On behalf of the board (the "Board") of directors (the "Directors") of Tianjin Jinran Public Utilities Company Limited (the "Company"), I am pleased to present the annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2016 (the "Year" or the "Reporting Period" or the "Period").

The year 2016 has been a challenging year for the Company. We believe that the Group is on the right track to restore itself back to its full potential, and that the steps we are taking, including the hard work that goes behind them, will translate into sustainable growth and profitability, thereby creating value for all shareholders in year 2017.

DEVELOPMENT OF THE PRC GAS SECTOR

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

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

In the Thirteenth 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.

CHAIRMAN'S STATEMENT

BUSINESS DEVELOPMENT

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

PROSPECTS

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

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

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

APPRECIATION

I would like to take this opportunity to thank the Group's shareholders, customers and business associates for their continual supports and the Group's staff for their diligence and contribution during the past year. We are a company with a qualified and professional working team and I look forward to a more rewarding 2017 for the Group's shareholders.

Zhang Tian Hua
Chairman

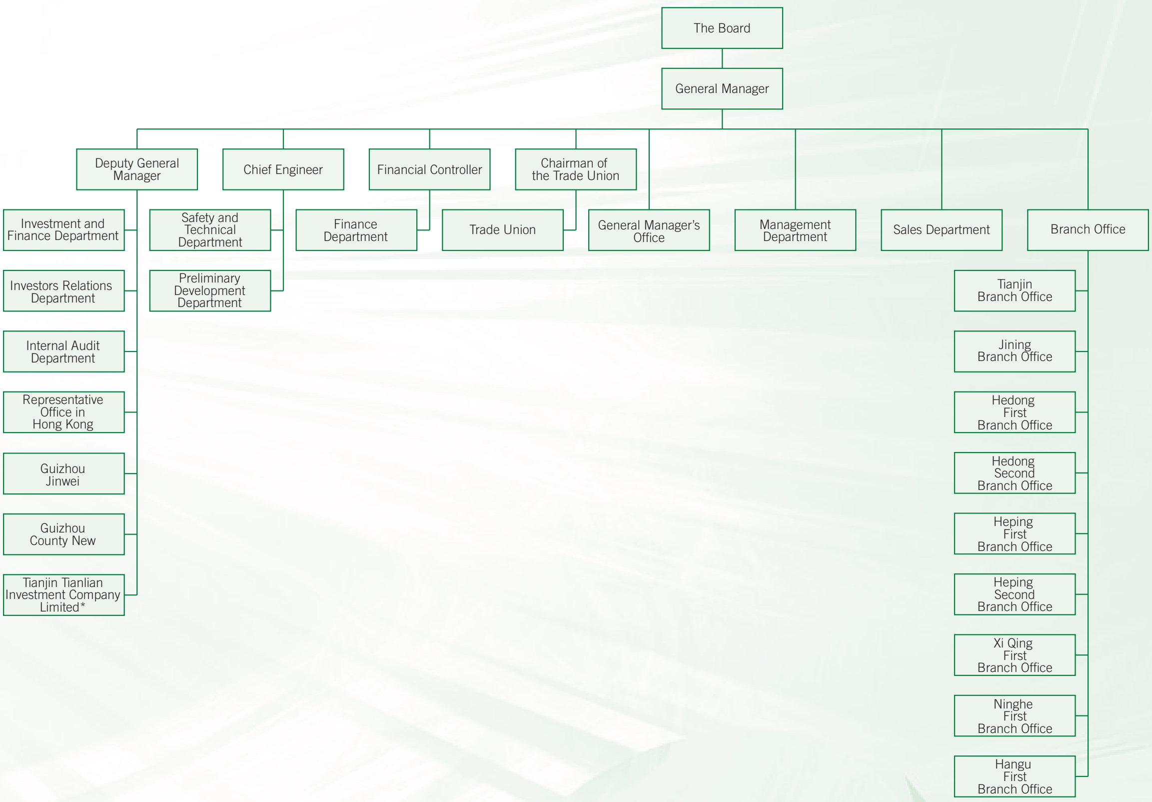
The PRC, 22 March 2017

MANAGEMENT DISCUSSION AND ANALYSIS

The year ended 31 December 2016 was a challenging year for the Group to develop its natural gas business. We believe that the Group will strive to achieve a more satisfactory result for the Group's shareholders in year 2017.

MANAGEMENT STRUCTURE

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



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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

In the year of 2016, in order to maintain the sustainable development of the Group, the Board and the management have committed to, on one hand, developing new markets, and as the consumption of original users decreases, explore new gas users and, on the other hand, enhancing internal control and cost management, as well as taking the initiative to optimise management in business development, daily operations and compliance matters.

Principal Risks and Uncertainties

The Group's performance and business operation are effected by China's urban gas industry. Principal risks are summarised as follows:

Natural gas is one of the main sources of China's urban gas and its import dependence is increasing. As a result, China's urban gas supply is faced with considerable international Geo-Political Risk. Gas source development and transportation is highly monopolized. Although China has eased admission policy of the pipeline network, such situation will remain in short term and therefore the industry will face considerable risk of insufficient gas supply. Because of the dislocation of gas source and market, China's natural gas industry is faced with considerable security risk in pipeline transport. Gas purchase price of gas manufacturers and suppliers in China is regulated by National Development and Reform Commission (NDRC) and is facing policy risk in respect of changes in gas pricing mechanism. Gas consumption in winter increases due to its seasonal features, and thus China's gas enterprises are faced with the risk of gas undersupply. Global economic uncertainties and upgrading geopolitical conflicts and other issues remain the potential causes of global energy price fluctuation, thus China's urban gas operators will face gas purchase cost fluctuation.

Key Relationships

(i) Employees

Human resources are one of the greatest assets of the Group and the Group regards the personal development of its employees as highly important. The Group wants to continue to be an attractive employer for committed employees.

The Group strives to motivate its employees with a clear career path and opportunities for advancement and improvement of their skills. The Group provides pre-employment and on-the-job training and development opportunities to its staff members. The training programs cover areas such as managerial skills, sales and procurement, customer services, safety inspections and oversees, workplace ethics and training of other areas relevant to the industry. In addition, the Group seriously considers all those valuable feedback from its employees for enhancing workplace productivity and harmony.

Generally, a salary review is conducted annually. The Group makes contributions towards pensions, unemployment insurance, work-related injury insurance, maternity insurance and medical insurance for its employees in accordance with the applicable laws and regulations of the PRC. The Group also provides housing provident fund contributions as required by local regulations in the PRC.

(ii) Suppliers

The Group has developed long-standing relationships with a number of its suppliers and takes great care to ensure that they share the Group's commitment to quality and ethics. The Group carefully selects its suppliers and requires them to satisfy certain assessment criteria including track record, experience, financial strength, reputation, products qualities and quality control effectiveness. The Group also requires its suppliers to comply with the Group's anti-bribery policy.

(iii) Clients

The Group is committed to maintain and develop its diversified client portfolio consisting of industrial parks, major enterprises and residential users. The Group maximizes client value by offering professional services and effective operation model to intensify the interaction and viscosity between clients and the Group and enhances the client experience.

Environmental Policies

The Group is committed to building an environmentally-friendly corporation that pays close attention to conserving natural resources. The Group strives to minimize the environmental impact by saving electricity and encouraging recycle of office supplies and other materials. The Group also requires its suppliers to operate in strict compliance with the relevant environmental regulations and rules.

As a leader in the clean energy development and supply industry, the Group has also devoted itself to social and environmental agendas and undertook various eco-protection responsibilities. The Group committed to reduce energy industry's impact on the environment by developing and providing clean energy, which also satisfied clients looking to meet their social and environmental responsibilities.

Compliance with Laws and Regulations

The Group's operations are mainly carried out in the PRC while the Company itself is listed on the Stock Exchange. The Group's operations accordingly shall comply with relevant laws and regulations in the PRC and Hong Kong. During the Year, the Group have complied with all the relevant laws and regulations in the PRC and Hong Kong.

MANAGEMENT DISCUSSION AND ANALYSIS

Future Business Developments

In 2017, the Board will strive to bring vitality and innovation to the Company by deepening the promotion of value thinking way and efficiency-oriented concept as well as enhancing corporate governance in compliance with law, in order to take the Company's operation to a new level.

The Company will continue to focus on a balanced development of its natural gas business, and put more efforts to tap into the pipeline gas market through participation in the natural gas pipeline network projects in the local Chinese cities by merger or acquisition. It will carry on the survey, evaluation, negotiations of the existing projects and work hard to realize the business goals. The Company will keep on enhancing its financial control to reduce the operational cost and to maximize revenue from the operating projects. In addition, the Company will go on improving the corporate governance as a listed company through regular meetings according to the relevant rules of procedures concerning the general meeting of shareholders, meeting of directors and meeting of supervisors, so as to achieve the function of the governance structure; and keep up talents training and recruiting for smooth operation and development of its business while spreading a positive corporate culture and enhancing its management expertise.

FINANCIAL REVIEW

For the Year, the Group reported a revenue of approximately RMB1,198,149,000, representing a decrease of approximately 9.43% as compared with the year ended 31 December 2015 (the "Previous Year"). The gross profit margin increased from approximately 2.05% for the Previous Year to approximately 2.47% for the year ended 31 December 2016. The profit before tax from continuing operations for the year ended 31 December 2016 amounted to approximately RMB50,137,000 (2015: approximately RMB48,879,000) representing an increase of approximately 2.57% from the Previous Year.

The Company's total profit for the Year remained at similar level to the Previous Year. In the coming financial year, the Company will further enhance market expansion efforts, seize the opportunity of the shift from coal to gas, and explore profit growth points.

SEGMENTAL INFORMATION ANALYSIS

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group is generally funded by equity financing. As at 31 December 2016, the Group had no bank borrowings.

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

The Group's gearing ratio (total liabilities to total asset rate) as at 31 December 2016 was approximately 0.28 (as at 31 December 2015: approximately 0.24).

CONTINGENT LIABILITIES

As at 31 December 2016, the Group had no material contingent liabilities or guarantees.

STAFF AND EMOLUMENT POLICY

As at 31 December 2016, the Group had a workforce of 892 full-time employees. The total employee costs were approximately RMB117,603,000.

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

PROSPECTS

Development of the PRC Gas Sector

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

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

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

- On the premise of ensuring the strategic direction and business needs, lay emphasis on five principles, which are strategic orientation, economical efficiency, financing matching, risk prevention and order of priority, to achieve continuing growth of net cash flows.

- Continue to improve the financial management system, with a view to reducing operating costs, and maximize the benefits from project operations.

- Continue to strengthen the support of scientific and technological innovation to the businesses of the Company, enhance the introduction and development of advanced technologies, as well as apply such advanced technologies to the production management and the internal management.

- Continue to improve the operation management system and mechanism, with emphasis on operation security, optimize management methods and means and promote the pre-control safety management, so as to ensure safe operation.

- Continue to strengthen the talent team construction, drive management change with strategic change, expand existing businesses with incremental business and inspire employees with entrepreneurial teams, so as to contribute a chain reaction to the corporation.

SIGNIFICANT EVENT

Subscription of Wealth Management Products

On 3 February 2016, the Company entered into wealth management agreements (the "First Wealth Management Agreements") to subscribe for the 中國銀行人民幣「按期開放」理財產品 (RMB "Open ended Product with due dates" Product of Bank of China Limited*) and 平安銀行對公結構性存款(掛鉤利率)產品 (Structured Corporate Deposits (Interest rate linked) Product of Ping An Bank*) in the subscription amounts of RMB200 million each (equivalent to approximately HK$236 million as at 3 February 2016). Since one or more of the relevant applicable percentage ratio (as defined under the Listing Rules) in respect of the subscription amount under each of the First Wealth Management Agreements exceeded 5% but was less than 25%, the transaction contemplated under each of the First Wealth Management Agreements constituted a discloseable transaction of the Company and was subject to the reporting and announcement requirements under the Listing Rules. For details of the transactions, please refer to the announcement of the Company dated 3 February 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Since one or more of the relevant applicable percentage ratio (as defined under the Listing Rules) in respect of the subscription amount under each of the Second Wealth Management Agreements exceeded 5% but was less than 25%, the transaction contemplated under each of the Second Wealth Management Agreements constituted a discloseable transaction of the Company and was subject to the reporting and announcement requirements under the Listing Rules. For details of the transactions, please refer to the announcement of the Company dated 4 February 2016 and 5 February 2016.

On 4 August 2016, the Company entered into a wealth management agreement with Industrial Bank Co., Ltd (the "Industrial Bank Wealth Management Agreement") to subscribe for the 興業銀行企業金融結構性存款產品 (Corporate Finance Structured Deposits Product of Industrial Bank*) in the subscription amount of RMB200 million (equivalent to approximately HK$232 million as at 4 August 2016). Since one or more of the relevant applicable percentage ratio (as defined under the Listing Rules) in respect of the subscription amount under the Industrial Bank Wealth Management Agreement exceeded 5% but was less than 25%, the transaction contemplated under the Industrial Bank Wealth Management Agreement constituted a discloseable transaction of the Company and was subject to the reporting and announcement requirements under the Listing Rules. For details of the transaction, please refer to the announcement of the Company dated 4 August 2016.

On 12 August 2016, the Company entered into a wealth management agreement with Industrial and Commercial Bank of China Limited (the "ICBC Wealth Management Agreement") to subscribe for the 中國工商銀行保本型「隨心E」法人人民幣理財產品 (ICBC Principal Guaranteed Corporate "Sui Xin E" RMB Wealth Management Product*) in the subscription amount of RMB200 million (equivalent to approximately HK$232 million as at 12 August 2016). Since one or more of the relevant applicable percentage ratio (as defined under the Listing Rules) in respect of the subscription amount under the ICBC Wealth Management Agreement exceeded 5% but was less than 25%, the transaction contemplated under the ICBC Wealth Management Agreement constituted a discloseable transaction of the Company and was subject to the reporting and announcement requirements under the Listing Rules. For details of the transaction, please refer to the announcement of the Company dated 12 August 2016.

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

Since one or more of the relevant applicable percentage ratio (as defined under the Listing Rules) in respect of the subscription amount under the Everbright Bank Wealth Management Agreement exceeded 5% but was less than 25%, the transaction contemplated under the Everbright Bank Wealth Management Agreement constituted a discloseable transaction of the Company and was subject to the reporting and announcement requirements under the Listing Rules. For details of the transaction, please refer to the announcement of the Company dated 19 August 2016.

On 23 August 2016, the Company entered into a wealth management agreement with China CITIC Bank Corporation Limited (the "CITIC Bank Wealth Management Agreement") to subscribe for the 中信理財之共贏保本步步高升B款人民幣理財產品 (CITIC Wealth-Win-Win Principal Guaranteed "Bu Bu Gao Sheng" Type B RMB Wealth Management Product*) in the subscription amount of RMB200 million (equivalent to approximately HK$234 million as at 23 August 2016). Since one or more of the relevant applicable percentage ratio (as defined under the Listing Rules) in respect of the subscription amount under the CITIC Bank Wealth Management Agreement exceeded 5% but was less than 25%, the transaction contemplated under the CITIC Bank Wealth Management Agreement constituted a discloseable transaction of the Company and was subject to the reporting and announcement requirements under the Listing Rules. For details of the transaction, please refer to the announcement of the Company dated 23 August 2016.

IMPORTANT EVENTS AFTER REPORTING PERIOD

Subscription of Wealth Management Products

On 22 February 2017, the Company entered into a wealth management agreement with Shanghai Pudong Development Bank (Tianjin Branch) (the "PDB Wealth Management Agreement") to subscribe for the 利多多對公結構性存款固定持有期產品(保證收益型) (Liduoduoduigong Structured Deposit Fixedterm Product) (Guaranteed Income)*) in the subscription amount of RMB200 million (equivalent to approximately HK$234 million as at 22 February 2017). Since one or more of the relevant applicable percentage ratio (as defined under the Listing Rules) in respect of the subscription amount under the PDB Wealth Management Agreement exceeded 5% but was less than 25%, the transaction contemplated under the PDB Wealth Management Agreement constituted a discloseable transaction of the Company and was subject to the reporting and announcement requirements under the Listing Rules.

For details of the transaction, please refer to the announcement of the 22 February 2017.

On 27 February 2017, the Company entered into a wealth management agreement with Tianjin Binhai Rural Commercial Bank (Tianjin Branch) (the "Binhai Wealth Management Agreement") to subscribe for the 濱海金芒果穩健專屬人民幣理財計劃1701號4期 (Binhai Jinmangguo Stable RMB Financial product no. 1701 Series 4*) in the subscription amount of RMB200 million (equivalent to approximately HK$234 million as at 27 February 2017).

Since one or more of the relevant applicable percentage ratio (as defined under the Listing Rules) in respect of the subscription amount under the Binhai Wealth Management Agreement exceeded 5% but was less than 25%, the transaction contemplated under the Binhai Wealth Management Agreement constituted a discloseable transaction of the Company and was subject to the reporting and announcement requirements under the Listing Rules.

For details of the transaction, please refer to the announcement of the 27 February 2017.

SUPPLEMENTAL AGREEMENT TO CONTINUING CONNECTED TRANSACTIONS

On 17 March 2017, the Company entered into a supplemental agreement (the "Supplemental Agreement") with 津燃華潤燃氣集團有限公司 (Jinran China Resources Gas Co., Ltd*) ("Jinran Gas") to (1) a gas supply contract (the "2016 Gas Supply Contract") dated 31 October 2014 in respect of the supply of natural gas by Jinran Gas to the Company for the 12 months ended 31 December 2016 and (2) a gas supply contract (the "2017 Gas Supply Contract") dated 31 October 2014 in respect of the supply of natural gas by Jinran Gas to the Company for the 12 months ending 31 December 2017, to revise the unit price of natural gas (the "Price") and the settlement date for the gas charge for the period commencing from 20 November 2016 to 15 March 2017.

Pursuant to the Supplemental Agreement, the Price was amended from approximately RMB2.655 per cubic metre (tax excluded) to RMB2.204 per cubic metre (tax excluded) with the annual caps for gas charge for 2016 Gas Supply Contract and 2017 Gas Supply Contract remaining unchanged. Accordingly, the respective maximum volume of gas supply under 2016 Gas Supply Contract and 2017 Gas Supply Contract will be adjusted.

Pursuant to the Supplemental Agreement, the settlement day for the gas charge by the Company based on the actual consumption of natural gas by the Group during each month was amended from the 25th day to the 10th day of month.

Save as disclosed above, all the terms of the 2016 Gas Supply Contract and 2017 Gas Supply Contract remain unchanged.

For details of the transaction, please refer to the announcement of the Company dated 31 October 2014 and 17 March 2017.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

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

Executive Directors

Mr. Zhang Tian Hua（張天華）, aged 53, is the chairman of the Board and an executive Director. He is a senior engineer, graduated from the Faculty of Energy and Chemical of Huadong Chemical College（華東化工學院）in 1984 and obtained a master's degree in Business Administration for Senior Management from Nankai University（南開大學）in 2009. From 1994 to 2000, he had been the deputy head of First Coal Gas Factory of Tianjin（天津市第一煤氣廠）and First Coal Gas Factory of Tianjin Coal Gas Group（天津市煤氣集團第一煤氣廠）. Prior to joining 天津市燃氣集團有限公司 (Tianjin Gas Group Company Limited*) ("Tianjin Gas") as a deputy chief engineer and the head of technology and equipment department in 2001, Mr. Zhang had been the manager of Tianjin Shanjin Mass Transit of Natural Gas Company Limited（天津市陝津天然氣集輸有限公司）from 2000 to 2001. From 2002 to 2011, he had been the chief engineer and the deputy general manager of Tianjin Gas. In 2007, Mr. Zhang was awarded special subsidy by the State Council. Mr. Zhang previously served as the general manager of Tianjin Gas and he is also deputy manager of 天津能源投資集團有限公司 (Tianjin Energy Investment Group Limited*) ("Tianjin Energy"), the intermediary holding company of Tianjin Gas. Mr. Zhang was appointed as an executive Director on 23 September 2011. Mr. Zhang is also a director and/or supervisor of one or more subsidiaries of Tianjin Energy. He is currently the chairman of the Board and the chairman of the Nomination Committee.

Ms. Tang Jie（唐潔）, aged 49, is an executive Director. Ms. Tang graduated from the Tianjin Institute of Finance（天津財經學院）(now known as the Tianjin University of Finance and Economics（天津財經大學）), majoring in accounting, in 1991. Ms. Tang is one of the promoters of the Company and had been working for the Company as an accountant and deputy general manager in the account department since December 1998. She had been appointed as a deputy general manager of the Company in 2001. Ms. Tang was appointed as an executive Director on 28 December 2001 and is responsible for making material decisions of the Company.

Mr. Zhang Guo Jian（張國健）, aged 44, in an executive Director. Mr. Zhang graduated from the Party School of Tianjin Municipal Party Committee（天津市委黨校）in September 2005, majoring in economics and management. Mr. Zhang has over 20 years of experience in the utilities sector. Prior to joining the Company, he worked in 天津市燃氣集團第一銷售分公司 (First Sales Branch of Tianjin Gas*) from 1995 to 2012. Mr. Zhang previously served as the assistant to the general manager and the deputy chief economist of Tianjin Gas and he had served as the party branch secretary and manager of the Company since 2013. Mr. Zhang has served as the general manager of the Company since 26 July 2013. Mr. Zhang Guo Jian was appointed as an executive Director on 1 November 2013.

* *For identification purposes only*

Mr. Hou Shuang Jiang (侯雙江), aged 48, is an executive Director. Mr. Hou was awarded with a bachelor's degree in chemical engineering from Tianjin University of Technology* (天津理工大學) (formerly known as Tianjin Institute of Technology* (天津理工學院)) in July 1991. Mr. Hou has accumulated more than 18 years of experience in the finance and capital markets sector. Prior to joining the Company, Mr. Hou worked as an officer in 中鋼集團天津地質研究院 (Sinosteel Tianjin Geological Academy*, formerly known as 冶金部天津地質調查所 (Ministry of Metallurgical Industry Tianjin Geological Academy*)) from July 1991 to April 1996, the deputy manager of the sales department of 天津匯金期貨經紀公司 (Tianjin Huijin Futures Brokerage Company*) in Zhengzhou from April 1996 to December 1999. From December 1999 to May 2000, Mr. Hou acted as an investment consultant of Yingda Securities Co., Ltd.* (英大證券有限責任公司). He was an investment consultant of Bohai Securities Co., Ltd* (渤海證券股份有限公司) from May 2000 to January 2013. From January 2013 to November 2013, Mr. Hou was the manager of the capital management department of 天津市津能投資公司 (Tianjin Jinneng Investment Company*). Mr. Hou has been the manager of the capital management department of Tianjin Energy, the intermediary holding company of Tianjin Gas since November 2013. Mr. Hou is a director of 津燃貿易諮詢有限公司 (Jinran Trading Consultancy Company Limited*), a wholly-owned subsidiary of Tianjin Gas. Mr. Hou is also a director and/or supervisor of one or more subsidiaries of Tianjin Energy. Mr. Hou was appointed as an executive Director on 3 March 2014.

Ms. Wang Wen Xia (王文霞), aged 52, is an executive Director. Ms. Wang was awarded with a bachelor degree in urban gas and heat supply by the School of Architecture of Tianjin University* (天津大學建築分校) in July 1988 and is a senior engineer. Ms. Wang has accumulated more than 27 years of experience in the gas sector in the PRC. Prior to joining the Company, Ms. Wang had worked in the sales office of Natural Gas Company* (天燃氣公司), a subsidiary of Tianjin Gas (a controlling shareholder of the Company), and the sales and technical department of Natural Gas Supply Company* (天燃氣供應公司), a subsidiary of Tianjin Gas, during the period from July 1988 to November 2000. Ms. Wang had worked as a chief engineer and deputy manager of the First Sales Branch of Tianjin Gas from November 2000 to January 2003. During the period from January 2003 to November 2013, Ms. Wang had served various roles in Tianjin Gas, which includes the manager of the department of the distribution department, the manager of the department of resources management, the chief engineer of the distribution branch, the chairman of Gangyi Heat Supply Company* (港益供熱公司). Since November 2013, Ms. Wang has served as the manager of the assets department of Tianjin Energy. Ms. Wang is also a director and/or supervisor of one or more subsidiaries of Tranjin Energy. Ms. Wang was appointed as an executive Director on 3 November 2014.

* *For identification purposes only*

Non-executive Director

Mr. Li Da Chuan (李大川), aged 52, is a non-executive Director. Mr. Li was awarded with a master degree in business administration by the Tianjin University (天津大學) in January 2014. Mr. Li has accumulated more than 27 years of experience in the gas sector in the PRC. Prior to joining the Company, Mr. Li had served different roles in 天津市燃氣熱力規劃設計院 (Tianjin Gas Heat Planning and Design Institute*) (formerly known as 天津市煤氣工程設計院 (Tianjin Gas Engineering Design Institute*)), which is a wholly-owned subsidiary of Tianjin Gas (a controlling shareholder of the Company), and his positions include engineer, manager, director assistant and deputy director during the period from July 1988 to December 2002. Mr. Li worked as a deputy manager of Tianjin Public Utilities Construction Company* (天津市公用基礎設施建設公司), a subsidiary of Tianjin Energy from December 2002 to April 2004, the deputy general manager of 天津能源投資集團科技有限公司 (formerly known as 首創津燃燃氣投資有限公司 (Capital Group Jinran Gas investment Company Limited*)), a subsidiary of Tianjin Energy from April 2004 to July 2005. He had also held various management roles in First Sales branch of Tianjin Gas, Tianjin Heat Company* (天津市熱力公司) (a subsidiary of Tianjin Energy), Tianjin Chengan Heat Energy Company Limited* (天津市城安熱電有限公司) (currently a subsidiary of Tianjin Energy) and Tianjin Jinneng Investment Company Limited* (天津市津能投資公司) (currently a subsidiary of Tianjin Energy) from July 2005 to November 2013. Since November 2013, he has acted as the manager of the gas production department of Tianjin Energy. Mr. Li is also a director and/or supervisor of one or more subsidiaries of Tianjin Energy. Mr. Li was appointed as the non-executive Director on 3 November 2014.

Independent Non-executive Directors

Mr. Zhang Ying Hua (張英華), aged 67, is an independent non-executive Director. Mr. Zhang graduated from Tianjin University of Finance and Economics (天津財經大學) ("TUFE"), majoring in the industrial management, in 1977. He obtained a master degree of Business Administration from the Oklahoma City University in 2001. He had been the deputy dean of the Faculty of Business, the head secretary general of the Communist Party of the Department of Corporate Management of TUFE from 2004 to 2007. He was the dean of the Faculty of Business of TUFE from 2007 and until 2010. Since then, Mr. Zhang has been a professor and doctoral advisor of the Department of Corporate Management of the Faculty of Business of TUFE, the dean of the Management Faculty and head of the management department of Zhujiang Management College* (珠江學院) of TUFE. He was awarded special subsidy by the State Council in 2009 to reward his contribution to the development of the study of society sciences to the PRC. Mr. Zhang was appointed as the independent non-executive Director on 16 June 2015.

* *For identification purposes only*

Mr. Yu Jian Jun（玉建軍）, aged 53, is an independent non-executive Director. Mr. Yu graduated from the School of Architecture of Tianjin University (now known as Tianjin Chengjian University（天津城建大學）), majoring in gas engineering, in 1986. Mr. Yu is a professor and master advisor. Mr. Yu currently served as a deputy head of the Department of Environment and Equipment, Faculty of Energy and Safety Engineering, Tianjin Chengjian University. He is a member of the China City Gas Society*（中國城市燃氣學會）and a member of its Technology Committee. Mr. Yu is the deputy head of the City Construction Committee of Tianjin Democratic Construction Association*（天津民主建國會城建委員會）, and an expert appointed by the Planning Office of Tianjin City*（天津市建設管理委員會）. Mr. Yu was appointed as the independent non-executive Director on 16 June 2015.

Mr. Guo Jia Li（郭家利）, aged 59, is an independent non-executive Director. Mr. Guo graduated from TUFE, majoring in Accounting, in August 1984. He had worked for Naval Air Force Jiaoxian Station of People's Liberation Army, and in the Tianjin City Hangu District Construction Company*（天津市漢沽區建築公司）from 1976 to 1980. Mr. Guo was the project manager of Tianjin Accounting Firm*（天津會計師事務所）from September 1984 to May 1995 and was the project manager of Tianjin Binhai Accounting Firm*（天津濱海會計師事務所）from May 1995 to May 1996. He was the deputy chief accountant of Tianjin Jiwei Accounting Firm*（天津吉威會計師事務所）from May 1996 to March 1997 and the chief accountant of Tianjin Licheng Accounting Firm*（天津利成會計師事務所）from March 1997 to January 2001. He served as chief accountant of the Tianjin branch of RSM Nelson Wheeler*（中瑞岳華會計師事務所）from January 2001 to November 2011. Since November 2011, Mr. Guo has been a partner of Tianjin branch of Shinewing Certified Public Accountants*（信永中和會計師事務所）(Special Ordinary Partnership). Mr. Guo was appointed as the independent non-executive Director on 16 June 2015.

SUPERVISORS

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

The Supervisory Committee currently comprises of five supervisors (the "Supervisor(s)"), one of whom is a Shareholders representative Supervisor, two of whom are independent Supervisors and another two of whom are representatives of the employees. The members of the Supervisory Committee as at the date of this report are:

* *For identification purposes only*

Shareholders Representative Supervisor

Mr. Yang Hu Ling (楊虎嶺), aged 56, is a shareholders representative supervisor. Mr. Yang graduated from Wuxi Light Industry College* (無錫輕工業學院) in July 1983 with a bachelor degree, majoring in Chemical Engineering and is a senior accountant. Since August 1983, he worked in The Tianjin Municipal Economic Committee* (天津市經濟委員會), The First Light Industry Bureau of Tianjin City* (天津市第一輕工業局), The Tianjin Municipal Finance Bureau* (天津市財政局), Tianjin Huajin Accounting Firm* (天津華錦會計師事務所), Tianjin Accounting Firm and Tianjin Wuzhou Certified Public Accountants* (天津五洲聯合合夥會計師事務所). Mr. Yang held various positions in Tianjin Jinneng from December 2001 to November 2013, and as the deputy manager of the audit and inspection department of Tianjin Energy from November 2013 to December 2014. He has been the deputy head/manager of the discipline inspection chamber (audit department) of Tianjin Energy since December 2014. Mr. Yang is also a director and/or supervisor of one or more subsidiaries of Tianjin Energy. Mr. Yang was appointed as a Shareholders representative Supervisor on 16 June 2015.

Independent Supervisors

Ms. Xu Hui (許暉), aged 50, is an independent supervisor. Ms. Xu has obtained a doctoral degree in Management in Nankai University in June 2002 and is a professor and postdoctoral fellow in the Project Management Postdoctoral Research Workshop* (管理工程博士後研究工作站) of Tianjin University. From January 1997, Ms. Xu has been teaching in the Department of Marketing, Faculty of Business, Nankai University. She is a member of the China Association of International Trade* (中國國際貿易學會) and the Tianjin Association of International Trade* (天津市國際貿易學會). Ms. Xu was appointed as an independent Supervisor on 16 June 2015.

Mr. Liu Zhi Yuan (劉志遠), aged 53, is an independent supervisor. Mr. Liu graduated from Qinghai Normal Collage* (青海師範學院) (the predecessor of Qinghai Normal University* (青海師範大學)), majoring in physics, in 1982. He obtained master and doctorate degree in Business Administration from Nankai University* (南開大學) in 1987 and 1994 respectively. Since June 1987, Mr. Liu has been working in the Faculty of Business, Nankai University and is currently a deputy dean of the Faculty. He currently serves as an independent director of Hisense Electric Company Limited* (青島海信電器股份有限公司) (SH Stock Code: 600060), Zhejiang China Commodities City Group Company Limited* (浙江中國小商品城集團股份有限公司) (SH Stock Code: 600415) and Tianjin Realty Development (Group) Company limited* (天津市房地產發展(集團)股份有限公司) (SH Stock Code:600322), whose shares are listed on the Shanghai Stock Exchange (the "SSE"). Mr. Liu has also served as an independent executive director of Shanghai Fudan Forward Science & Technology Company limited* (上海復旦復華科技股份有限公司) (SH Stock Code: 600624) listed on the SSE from 30 June 2009 to 27 October 2015; an independent executive director of Luxshare Precision Industry Company limited* (立訊精密工業股份有限公司) (SZ Stock Code: 002475) listed on Shenzhen Stock Exchange (the "SZSE") from 22 February 2009 to 17 April 2015; and an independent executive director of Tianjin Motor Dies Company Limited*. Mr. Liu was appointed as an independent Supervisor on 22 June 2016.

* *For identification purposes only*

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Staff Representative Supervisors

Ms. Hao Li (郝力), aged 47, is a staff representative Supervisor. Ms. Hao graduated from the School of Tianjin Committee of the Communist Party (中共天津市委黨校), majoring in economics and management, in 2005. She worked in the planning department of Tianjin Gas from 1988 to 2005, and subsequently joined the Company and worked in the management department. Ms. Hao was appointed as a Supervisor on 25 June 2007.

Mr. Feng Jinhu (馮金虎), aged 57, is an staff representative supervisor. Mr. Feng is an assistant economist, graduated from Tianjin Hongqiao District Workers College* (天津市紅橋區職工大學) in 1990 majoring in business management. Mr. Feng has been working for Tianjin Gas Group Company Limited (天津市燃氣集團有限公司) or its predecessors, or their subsidiaries since November 1976. Mr. Feng joined the Company in 2008 and served as head of the engineering safety department of the Company since July 2014, where he is responsible for various management roles in the engineering safety department, overseeing the schedule, quality, cost and safety of engineering projects, and ensuring that the engineering projects are in line with the development conditions of the Company. Mr. Feng was appointed as a staff representative Supervisor on 14 September 2015.

COMPANY SECRETARY

Mr. Wong Yat Tung (黃日東), aged 44, is a manager of SW Corporate Services Group Limited. He has more than eight years of extensive experience in providing company secretarial services to private and listed companies. He currently serves as the company secretary and joint company secretary of companies listed on the Stock Exchange. He holds a Degree in Quantitative Analysis for Business from City University of Hong Kong and Master of Corporate Governance from the Hong Kong Polytechnic University. Mr. Wong is an Associate of The Hong Kong Institute of Chartered Secretaries and an Associate of The Institute of Chartered Secretaries and Administrators. Mr. Wong was appointed as the Company Secretary of the Company on 16 December 2015.

SENIOR MANAGEMENT

Mr. Sun Xue Gang (孫學剛), aged 41, is a deputy general manager of the Company. Mr. Sun graduated from the Tianjin Institute of Finance, the PRC, majoring in economic information management, in 1997. Between 1997 and 2006, he worked for Tianjin Water Works Group Company Limited (天津市自來水集團有限公司) and had successively been a management cadre in the human resources department and a vice party secretary, and had been a deputy manager of Tianjin Water Works Group Company Limited retail branch in the northern part of Tianjin. He was appointed as a deputy general manager of the Company in 2006. He was appointed as a Supervisor on 25 June 2007, and resigned on 16 June 2015.

Ms. Wang Li Ping (王莉萍), aged 51, is a financial controller of the Company. Ms. Wang graduated from Tianjin Institute of Finance, the PRC in 1985. She is an accountant. She was the deputy head of the Financial Department of Tianjin Gas from 2004 to 2005, and has been the manager of the Finance Department of the Company thereafter. Ms. Wang is currently the financial controller of the Company.

Ms. Ma Xin (馬欣), aged 34, the head of financial department and assistant to general manager of the Company is a certified public accountant of the PRC. Ms. Ma obtained a Bachelor degree in International Economics and Trade in 2006 and a Master degree in Logistics in 2008 from Nankai University. From July 2008 to May 2013, Ms. Ma had been a senior auditor of Deloitte Touche Tohmatsu Certified Public Accountants LLP. Ms. Ma has been the head of financial department of the Company since 2013 and was appointed as an assistant to general manager of the Company on 21 February 2017.

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COMPLIANCE WITH THE CODE

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

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

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

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

KEY CORPORATE GOVERNANCE PRINCIPLES AND THE COMPANY'S PRACTICES

The Board

Roles of Directors

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

Board of Directors

Composition of the Board

As at the date of this report, the Board consists of 9 members, comprising 5 executive Directors namely Mr. Zhang Tian Hua (Chairman), Ms. Wang Wen Xia, Ms. Tang Jie, Mr. Zhang Guo Jian and Mr. Hou Shuang Jiang, 1 non-executive Director namely Mr. Li Da Chuan, and 3 independent non-executive Directors namely Mr. Zhang Ying Hua, Mr. Yu Jian Jun and Mr. Guo Jia Li. Biographical details of the Directors are set out in the section headed "Directors, Supervisors and Senior Management"on page 17 to page 22 of this report.

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

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

No Directors, Supervisors and senior management have any relations among one another (including financial, business, family or other material or related relations).

Chairman and Chief Executive Officer

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

Appointment, Re-election and Removal of Directors

The Company has established the Nomination Committee on 29 March 2012. The Nomination Committee has from time to time identified individuals suitably qualified to become Board members and make recommendations to the Board. The Board has adopted its board diversity policy (the "Board Diversity Policy"). All Board appointments will be based on meritocracy, and candidates will be considered against selection criteria based on a range of diversity perspectives, which would include but not be limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The main consideration in selecting candidates for directorships is whether their characters, qualifications and experience are appropriate for the businesses of the Group.

Each of the executive Directors, non-executive Director and independent non-executive Directors has entered into a service contract with the Company for a term of three years commencing from 16 June 2015 and ending on the conclusion of the annual general meeting of the Company to be held in 2018. All the service contracts entered into between the Company and Directors may be terminated by either party by giving at least three months' written notice.

Every Director is subject to re-election on change of session of the Board in accordance with the applicable laws and regulations of the PRC.

Board Meetings and Procedures

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

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

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

Regular Board meetings are held normally every 3 months, with additional meetings arranged, if and when required. 5 Board meetings were held in 2016. Individual attendance records are set out below.

Board Meetings and General Meetings Attendance

	No. of board meetings attended by each Director during the Year 2016	No. of general meetings attended by each Director during the Year 2016
Executive Directors		
Zhang Guo Jian	5	1
Tang Jie	5	1
Zhang Tian Hua *(Chairman)*	5	1
Wang Wen Xia	4	0
Hou Shuang Jiang	5	1
Non-executive Director		
Li Da Chuan	5	0
Independent Non-executive Directors		
Zhang Ying Hua	5	0
Yu Jian Jun	4	0
Guo Jia Li	5	0

Certain Directors were not able to attend the general meetings held in 2016 due to their unavoidable business engagements.

During 2016, the Board has addressed the following major issues:

1. passing the resolution in respect of revising the "the Wealth Management System of Short Term Idle Funds" of the Company

2. passing the resolution in respect of changing Supervisor of the Company

3. passing the resolution in respect of establishing the respective rules of procedure of the general meeting, meeting of the Board and meeting of the Supervisory Committee of the Company

4. passing the resolution in respect of re-appointing Deloitte Touche Tohmatsu as the auditor of the Company in 2016

5. passing the resolution in respect of withdrawing the enterprise reserve, the staff incentive and welfare fund and the enterprise development fund

6. passing the resolution in respect of entering into gas pipeline lease agreement with Binhai Gas Group

7. passing the resolution in respect of determining the annual remuneration of the senior management

8. passing the resolution in respect of the resignation of Deloitte Touche Tohmatsu as the auditor of the Company

9. passing the resolution in respect of appointing Ernst & Young as the auditor of the Company

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

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

Directors' Duties

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

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

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

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

Corporate Governance Functions

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

Conduct on Share Dealings

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

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

Independent Non-executive Directors

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

Directors' Induction and Continuous Professional Development

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

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

During the Period, the Company has also organized briefing sessions conducted by the Auditors to the Company for the Directors. The training sessions covered topics including environmental, social and governance reporting etc.

According to the records provided by the Directors, a summary of training received by the Directors since 1 January 2016 up to 31 December 2016 is as follows:

	No. of training sessions regarding, environmental, social and governance reporting attended by each Director
Executive Directors	
Zhang Guo Jian	1
Tang Jie	1
Zhang Tian Hua *(Chairman)*	1
Wang Wen Xia	1
Hou Shuang Jiang	1
Non-executive Director	
Li Da Chuan	1
Independent non-executive Directors	
Zhang Ying Hua	1
Yu Jian Jun	1
Guo Jia Li	1

Board Committees

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

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

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

	Major roles and functions	Composition during 2016	Attendance in 2016
Audit Committee	• To make recommendation to the Board on the appointment, reappointment and removal of external auditor • To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards • To develop and implement policy on the engagement of an external auditor to supply non-audit services and monitor the integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and significant financial reporting judgments contained in them • To oversight the Company's financial reporting system, risk management and internal control systems	Guo Jia Li *(Chairman)* Zhang Ying Hua Yu Jian Jun	2 2 2

Total number of meetings held in 2016: 2

	Major roles and functions	Composition during 2016	Attendance in 2016
Remuneration Committee	• To consult the chairman of the Board about their remuneration proposals for other executive Directors • To make recommendation to the Board on the Company's remuneration policy and structure for all Directors' and senior management • To determine, with delegated responsibility, the remuneration packages of individual executive Directors and senior management	Zhang Ying Hua *(Chairman)*	2
		Hou Shuang Jiang	2
		Guo Jia Li	2
Total number of meetings held in 2016: 2			
Nomination Committee	• To review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis • To identify individuals suitably qualified to become Board member and assess the independence of independent non-executive Directors	Zhang Tian Hua *(Chairman)*	1
		Zhang Ying Hua	1
		Yu Jian Jun	1
Total number of meetings held in 2016: 1			

Audit Committee

During 2016, the Audit Committee met 2 times and performed the major works as below:

1. reviewed the annual financial results and report for the year ended 31 December 2015 and interim financial results and report for the six months ended 30 June 2016;

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

3. considered and discussed the resignation and appointment of auditors and provided advice thereon to the Board.

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

Remuneration Committee

During 2016, the Remuneration Committee met 2 times and performed the major works as below:

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

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

3. reviewed and confirmed no Directors is involved in deciding his own remuneration, no compensation claimed to the Company by Directors and senior management for any loss or termination of office or appointment and no compensation arrangements relating to dismissal or removal of directors for misconduct.

Nomination Committee

During 2016, the Nomination Committee met 1 time and performed the major works as below:

1. examined the structure, size and composition of the Board, to ensure the Directors have the expertise, skills and experience required to meet the Company's business;

2. assessed the independence of all independent non-executive Directors; and

3. examined the Board in compliance with the requirements of the board diversity policy.

Remuneration of Directors and Senior Management

The Group paid or accrued total Directors' remuneration amounts (including fees, basic salaries, performance related incentive payment and retirement benefit scheme contributions) of approximately RMB nil, RMB nil, RMB50,000, RMB nil, RMB nil, RMB nil, RMB50,000, RMB50,000 and RMB50,000 to Mr. Zhang Tian Hua, Ms. Wang Wen Xia, Ms. Tang Jie, Mr. Zhang Guo Jian, Mr. Hou Shuang Jiang, Mr. Li Da Chuan, Mr. Zhang Ying Hua, Mr. Yu Jian Jun and Mr. Guo Jia Li respectively, for the Year. The remuneration received by Mr. Zhang Guo Jian during the year as the general manager of the Company amounted to approximately RMB410,000. Ms. Wang Wen Xia, Mr. Hou Shuang Jiang, Mr. Zhang Tian Hua, Mr. Zhang Guo Jian and Mr. Li Dachuan. waived their director remuneration from 1 January 2016.

Directors' remuneration is determined based on a variety of factors such as market conditions and responsibilities assumed by each Director. As at 31 December 2016, save as Ms. Wang Wen Xia, Mr. Hou Shuang Jiang, Mr. Zhang Tian Hua, Mr. Zhang Guo Jian and Mr. Li Da Chuan, there was no arrangement in which the Directors waived their remuneration.

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

	Number of Individuals:
RMB100,000 or below	1
RMB100,000 to RMB500,000	2

Company Secretary

The manager of SW Corporate Services Group Limited Mr. Wong Yat Tung has been appointed as the company secretary of the Company (the "Company Secretary") on 16 December 2015 and has taken no less than 15 hours of relevant professional training during the Year and has complied with Rule 3.29 of the Listing Rules in relation to the professional training requirements. The primary contact person of Mr. Wong Yat Tung at the Company is Ms. Ma Xin, the assistant to general manager.

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

Accountability and Audit

Financial Reporting

The Directors are responsible for overseeing the preparation of the annual accounts which give a true and fair view of the Group's state of affairs of the results and cash flow for the year. All the Directors acknowledge their responsibility for preparing the financial statements. In preparing the accounts for the Year, the Directors have:

- selected suitable accounting policies and applied them consistently; and

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

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

A statement by the auditors about their reporting responsibilities is included in the Independent Auditor's Report on page 60 to page 65. There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

Risk Management and Internal Controls

The Board, through the Audit Committee, has reviewed the effectiveness of the Company's system of risk management and internal controls over financial, operational and compliance issues for the year 2016. The Audit Committee concluded that, in general, the Company has set up a sound control environment and installed necessary control mechanisms to monitor and correct non-compliance. The Board, through the review of the Audit Committee, is satisfied that the Group in 2016, fully complied with the code provisions on risk management and internal controls as set forth in the Code.

The Company has formulated and implemented its risk management and internal control system. The Board is the decision making body responsible for reviewing the effectiveness of its risk management and internal control systems. The Audit Committee has reviewed the internal audit department's report regarding the reviewing and procedures of the internal control and risk management of the company. The Company has set up risk management, internal control and internal audit departments with sufficient staff which report to the Audit Committee. The risk management and internal control systems of the Company are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Risk management and internal control covering corporate governance, financial management, comprehensive management of human resource, intellectual property, contract management, procurement management, litigation management, asset management and sales management is designed to effectively ensure the effective operation of our business activities, improve the internal control system of the Company, establish the system of risk identification and assessment, and facilitate the effective control of risks through the implementation of various policies; to safeguard the security and integrity of the Company's assets; to prevent, identify errors and frauds and correct them when any occurs so as to ensure the truthfulness, legality and integrity of our accounting information.

Based on the review and evaluation of risk management and internal control of the reporting period, the Board takes the view that the risk management and internal control of the Company are effective.

The Company conducts an annual risk evaluation to identify major risks and to perform risk management duties. The Company has designed measures to tackle major risks combined with its internal control system and periodically monitors its implementation to ensure adequate care, monitor and tackling of major risks.

The Company has constantly supervised and evaluated its internal control, conducting comprehensive and multi-level checks including regular test, enterprise self-examination and auditing check so as to resolve material defects in internal control.

The Company has established an Internal Audit Department comprising a department chief and an internal audit manager, which is responsible for the internal auditing and supervising of the business activities of the Company, and also performs its duty as a party in the discussion about economic activities and decision making in relation to our projects, so as to ensure the integrity, reasonableness of the Company's internal control system and the effectiveness of its implementation.

The Investing and Financing Department is responsible for advising on the necessity of performing the obligation of information disclosure, the definition of connected transaction and the legality of contract substance.

The Company has maintained a good information disclosure mechanism. While keeping highly transparent communications with investors and analysts, the Company attaches great importance to the handling of inside information.

External Auditors

Ernst & Young has been appointed as auditor of the Company with effect from 18 November 2016 to fill the casual vacancy following the resignation of Deloitte and to hold office until the conclusion of the annual general meeting of the company in 2017.

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

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

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

During 2016, the fees paid to the Company's external auditors for audit services amounted to approximately RMB960,000 and for non-audit related activities (which are account review fees) amounted to approximately RMB215,000.

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

Investor Relations

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

Communications with Shareholders and Investors

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

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

PROCEDURES FOR DIRECTING SHAREHOLDERS' ENQUIRIES TO THE BOARD

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

Address:
Floor 9, Gangao Tower,
No.18 Zhengzhou Road,
Heping, District
Tianjin, PRC
Tel No.: (86) 022-87569972
Fax No.: (86) 022-87569971

PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY MEETING

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

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

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

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

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

PROCEDURES FOR SHAREHOLDERS' ENQUIRES TO BE PUT TO THE BOARD

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

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

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

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

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

     (i) all parts of the register of shareholders;

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

     (iii) the share capital of the Company;

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

     (v) minutes of shareholders' meetings.

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

PROCEDURES FOR PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS BY SHAREHOLDERS

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

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

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

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

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

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

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

The Board of Directors is pleased to present its Directors' Report together with the audited consolidated financial statements of the Group for the Year.

PRINCIPAL ACTIVITIES

The principal activities of the Company are the operation and management of gas pipeline infrastructure and the sale and distribution of piped gas. One of the subsidiaries, 烏盟乾生津燃公用事業有限責任公司 (Kin Sang Jinran Public Utilities Company Limited*) (formerly known as 烏盟乾生天聯公用事業有限責任公司 (Kin Sang Tianlian Public Utilities Company Limited*) is dormant. The other subsidiary 天津天聯投資有限公司 (Tianjin Tianlian Investment Company Limited*) is engaged in investment activities. The Group completed the acquisition of the additional 39% equity interests of 貴州津維礦業投資有限公司 (Guizhou Jinwei Mining Investment Company Limited*) ("Guizhou Jinwei") and Guizhou Jinwei completed its acquisition of 70% equity interest in 貴州省台江縣國新鉛鋅選礦有限責任公司 (Guizhou Province Taijiang County New Lead and Zinc Mineral Extraction Company Limited*) ("Guizhou County New") on 30 June 2012. Guizhou County New owns a mining right of a lead-zinc mine located in Taijiang County, Guizhou Province and the Group commenced the mining and trading of lead and zinc from year 2012.

During the Year, the Company has implemented a strategic plan to put greater focus on its gas related businesses. Hence the Board resolved a plan to dispose its mining business and trading business of lead and zinc. The Company has started negotiations with several interested parties, which is still ongoing, in relation to the disposal of its 88% equity interest in Guizhou Jinwei, which owns 70% equity interest in Guizhou Taijiang and Guizhou Taijiang owns a mining right of a lead-zinc mine located in Taijiang County, Guizhou Province. The Company will comply with the relevant requirements of the Listing Rules accordingly.

RESULTS AND DIVIDENDS

The results of the Group for the Year are set out in the consolidated statement of comprehensive income on page 66 of this annual report.

No dividend was proposed during 2016, nor has any dividend been proposed since the end of the Year (2015: nil).

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group is set out on page 137 of the annual report.

* *For identification purposes only*

DIRECTORS' REPORT

BUSINESS REVIEW

The business review of the Group for the Year is set out in the section headed "Management Discussion and Analysis" above.

SHARE CAPITAL

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

RESERVES

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

As at 31 December 2016, the Company's reserves available for distribution to shareholders, comprised the retained profits determined under PRC accounting standards of approximately RMB627 million (2015 (restated): RMB593 million).

TRANSFERS TO RESERVES

Profits attributable to shareholders before dividends of RMB5,503,000 (2015: RMB10,137,000) have been transferred to reserves. Other movements in the reserves are set out in note 35 to the financial statements.

MANAGEMENT CONTRACTS

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group and the Company are set out in note 12 to the consolidated financial statements.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Company for the last five financial years is set out on page 137.

DIRECTORS AND SUPERVISORS

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

Executive Directors

Zhang Tian Hua *(Chairman)*
Wang Wen Xia
Tang Jie
Zhang Guo Jian
Hou Shuang Jiang

Non-executive Director

Li Da Chuan

Independent Non-executive Directors

Zhang Ying Hua
Yu Jian Jun
Guo Jia Li

Independent Supervisors

Xu Hui
Xue You Zhi (resigned on 14 January 2016)
Liu Zhi Yuan (appointed on 22 June 2016)

Staff Representative Supervisors

Hao Li
Feng Jin Hu

Shareholders Representative Supervisor

Yang Hu Ling

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

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the executive Directors, non-executive Director and independent non-executive Directors has entered into a service contract with the Company for a term of three years commencing from 16 June 2015 and ending on the conclusion of the annual general meeting of the Company to be held in 2018.

Each of the Supervisors, namely Mr. Yang Hu Ling, Ms. Xu Hui, Ms. Hao Li and Mr. Feng Jin Hu has entered into a service agreement with the Company for a term of three years commencing from 16 June 2015 and ending on the conclusion of the annual general meeting of the Company to be held in 2018. Liu Zhi Yuan, the Supervisor has entered into a service agreement with the Company for a term of three years commencing from 25 April 2016 and ending on the conclusion of the annual general meeting of the Company to be held in 2018.

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

POLICY FOR DIRECTORS' REMUNERATION

The remuneration of the Directors is determined by the Remuneration Committee with reference to the directors' respective qualifications and experiences. Ms. Wang Wen Xia, Mr. Hou Shuang Jiang, Mr. Zhang Tian Hua, Mr. Zhang Guo Jian and Mr. Li Dachuan, waived their remuneration from 1 January 2015. During the Period, save as disclose above, there was no arrangement in which Directors waived their remuneration.

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

As at 31 December 2016, the interests and short positions of the Directors, chief executive and Supervisors in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the 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 of the Company as referred to in the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

Long Position

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

Name of Director/Supervisor	Capacity	Number of Domestic Shares held	Approximate percentage of interests in the Company/ Domestic Shares of the Company
Ms. Tang Jie	Beneficial owner	41,700,000	2.27%/3.11%

Save as disclosed in the above paragraph, as at 31 December 2016, none of the Directors, chief executive and Supervisors of the Company had interest in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the required standard of dealings by Directors and Supervisors as referred to in 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 31 December 2016, the following, not being a Director or Supervisor, have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and required to be entered in the register maintained by the Company pursuant to section 336 of the SFO:

SUBSTANTIAL SHAREHOLDERS

Long Position

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

Name of shareholder	Capacity	Number of Domestic Shares held	Approximate percentage of interests in the Company/ Domestic Shares of the Company
Tianjin Gas Group Company Limited ("Tianjin Gas") 天津市燃氣集團有限公司 (Note 1)	Beneficial owner	1,297,547,800	70.55%/96.89%
Tianjin Energy Investment Company Limited ("Tianjin Energy") 天津能源投資集團有限公司	Interest of a controlled corporation	1,297,547,800	70.55%/96.89%

Notes:

1. On 1 September 2014, Tianjin Gas and Tianjin Wanshun Real Estate Company Limited（天津市萬順置業有限公司）("Tianjin Wanshun") entered into a share transfer agreement for the transfer of 235,925,000 Domestic Shares, representing 12.83% of the total issued share capital of the Company from Tianjin Wanshun to Tianjin Gas at a consideration of RMB117,962,500 (the "Tianjin Wanshun Share Transfer"). The Tianjin Wanshun Share Transfer has been completed on 11 February 2015. On 16 October 2014, Tianjin Gas and Tianjin Beacon Coatings Company Limited（天津燈塔塗料有限公司）("Beacon Coatings") entered into a share transfer agreement for the transfer of 118,105,313 Domestic Shares, representing approximately 6.42% of the total issued share capital of the Company, from Beacon Coatings to Tianjin Gas at nil consideration, subject to the obtaining of the approvals from the relevant government authorities (the "Beacon Coatings Share Transfer"). The Beacon Coatings Share Transfer is completed on 13 July 2016.

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 31 December 2016, Mr. Liu Hei Wan and Ms. Law Suet Yi jointly held the 14,500,000 H shares of the Company.

2. The Waterfront Development Group Limited is wholly owned by Mr. Liu Hei Wan and thus a controlled corporation by Mr. Liu Hei Wan. Mr. Liu Hei Wan is deemed, or taken to be, interested in the 30,000,000 shares which are beneficially owned by The Waterfront Development Group Limited for the purpose of the SFO.

3. Ms. Law Suet Yi is the spouse of Mr. Liu Hei Wan and therefore, Ms. Law Suet Yi is deemed, or taken to be, interested in all the shares in which Mr. Liu Hei Wan is interested for the purpose of SFO.

Save as disclosed above, as at 31 December 2016, the Directors are not aware of any person, not being a Director, Chief Executive or Supervisor, have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and required to be entered in the register maintained by the Company pursuant to section 336 of the SFO.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENT OR CONTRACTS

No Director or Supervisor nor a connected entity of a Director or Supervisor had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the Group to which the holding company of the Company, the Company or any of the Company's subsidiaries or fellow subsidiaries was a party during the Period.

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

During the Year, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH NON-COMPETE UNDERTAKING

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

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

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

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

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

COMPETING INTERESTS

Each of Mr. Zhang Tian Hua (the executive Director and the chairman of the Company), Mr. Hou Shuang Jiang (the executive Director), Ms. Wong Wen Xia (the executive Director) and Mr. Li Da Chuan (the non-executive Director) holds positions with Tianjin Gas and/or Tianjin Energy. They do not have any equity interest in Tianjin Gas, Tianjin Energy nor the Company. Save as their positions with Tianjin Gas and/or Tianjin Energy, each of the Directors and their respective close associates has confirmed that he/she does not have any interest in a business which competes or may compete with the business of the Group.

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

Save as disclosed above, as at 31 December 2016, the Directors are not aware of any business or interest of the Directors, the controlling shareholders of the Company and their respective close associates, that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

CONNECTED TRANSACTIONS

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

Continuing Connected Transactions

(1) Gas Pipeline Lease Agreement

On 25 April 2016, the Company and Tianjin Binhai Gas Group Company Limited (天津濱海燃氣集團有限公司) ("Binhai Gas Group") entered into a gas pipeline lease agreement (the "Gas Pipeline Lease Agreement") in respect of the lease of the high pressure gas pipelines extending from the intersection of Dong Jin Road (東金路) and Yang Bei Road (楊北公路) in Dongli District (東麗區), Tianjin to the intersection of Xin Gang No.8 Road (新港八號路) and Yue Jin Road (躍進路) in Tanggu District (塘沽區), Tianjin, measuring approximately 30 km, which is owned and managed by the Company, to Binhai Gas Group for natural gas transmission for the period from 1 May 2016 to 30 April 2019. Pursuant to the gas pipeline lease agreement, The annual cap of gas pipeline lease fee paid by Binhai Gas Group to the Company, is RMB4,000,000, RMB6,000,000 and RMB6,000,000 for the three years ending 31 December 2018, respectively. Actual transaction amount for the Year was RMB3,604,000.

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

As each of the applicable percentage ratios for the annual caps of the Gas Pipeline Lease Agreement for each of the three years ending 31 December 2018 was, on an annual basis, more than 0.1% but less than 5%, the transactions contemplated under the Gas Pipeline Lease Agreement were exempt from the independent shareholders' approval requirement and were subject to the annual review, reporting and announcement requirements under Chapter 14A of the Listing Rules.

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

(2) Pipeline Construction and Design Services

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

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

To renew the 2013 Pipeline Design Agreement and the 2013 Pipeline Construction Framework Agreement which had both expired on 31 December 2015, the Company and Tianjin Energy entered into the Pipeline Construction and Design Agreement on 29 April 2016 in respect of the provision of pipeline construction and design services by Tianjin Energy and/or its associated companies upon successful bids for gas pipeline construction contracts put out to tender from time to time by the Group in accordance with the tendering procedures set by the Group from time to time for the period from 29 April 2016 to 31 December 2018. Pursuant to the Pipeline Construction and Design Agreement, the annual cap amounts received by Tianjin Energy and/or its associated companies from the Group for the three years ended 31 December 2018 is RMB30,000,000, RMB30,000,000 and RMB30,000,000 respectively. Actual transaction amount for the Year was RMB3,719,000.

Tianjin Gas is one of the promoters of the Company and is a controlling shareholder of the Company and thus a connected person of the Company.

The Design Institute is a subsidiary of Tianjin Energy (a controlling shareholder of the Company) and thus a connected person of the Company.

As at date of this report, Tianjin Energy owns the entire equity interest in Tianjin Gas, a controlling shareholder of the Company. Pursuant to Rule 14A.07(1) of the Listing Rules, Tianjin Energy is a connected person of the Company. Pursuant to the Listing Rules, the entering into of the Pipeline Construction and Design Agreement constitutes a continuing connected transaction of the Company.

As each of the applicable percentage ratios for the caps of the transaction contemplated under the Pipeline Construction and Design Agreement for each of the twelve months ending 31 December 2016, 31 December 2017 and 31 December 2018 was, on an annual basis, more than 1% but less than 5%, the Pipeline Construction and Design Agreement was exempt from the independent shareholders' approval requirement and was only subject to the annual review, reporting and announcement requirements under Chapter 14A of the Listing Rules.

For details, please refer to the announcement of the Company dated 29 April 2016.

(3) Gas Supply

On 31 October 2014, the Company and 津燃華潤燃氣集團有限公司 (Jinran China Resources Gas Co., Ltd) ("Jinran Gas") entered into new gas supply contracts in respect of renewal of the supply of natural gas by Jinran Gas to the Group for the period from 1 January 2015 to 31 December 2017 (the "New Gas Supply Contracts"). Jinran Gas is a subsidiary of Tianjin Energy (a controlling shareholder of the Company) and is hence a connected person of the Company, and the entering into of the New Gas Supply Contracts between Jinran Gas and the Company constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to the New Gas Supply Contracts, Jinran Gas agreed to supply to the Company and the Company agreed to purchase from Jinran Gas up to 612.29 million, 673.52 million and 740.87 million cubic metres of natural gas for the years ended 31 December 2015 and 31 December 2016 and the year ending 31 December 2017 at a price of approximately RMB2.655 per cubic metre (tax excluded, and the price subject to adjustment in accordance with the direction of the Tianjin municipal price bureau from time to time) with an annual cap of RMB1,626 million, RMB1,788 million and RMB1,967 million respectively. Actual transaction amount for the Year was RMB905,202,000.

As one or more of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules for the annual caps for the New Gas Supply Contracts for the years ended 31 December 2015 and 31 December 2016 and the year ending 31 December 2017 exceeded 5%, the New Gas Supply Contracts were subject to, inter alia, the independent shareholders' approval, reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

On 17 March 2017, the Company entered into a supplemental agreement (the "Supplemental Agreement") with Jinran Gas to (1) the gas supply contract (the "2016 Gas Supply Contract") in respect of the supply of natural gas by Jinran Gas to the Company for the 12 months ended 31 December 2016 and (2) the gas supply contract (the "2017 Gas Supply Contract") in respect of the supply of natural gas by Jinran Gas to the Company for the 12 months ending 31 December 2017, to revise the unit price of natural gas (the "Price") and the settlement date for the gas charge for the period commencing from 20 November 2016 to 15 March 2017.

Pursuant to the Supplemental Agreement, the Price was amended from approximately RMB2.655 per cubic metre (tax excluded) to RMB2.204 per cubic metre (tax excluded) with the annual caps for gas charge for 2016 Gas Supply Contract and 2017 Gas Supply Contract remaining unchanged. Accordingly, the respective maximum volume of gas supply under 2016 Gas Supply Contract and 2017 Gas Supply Contract will be adjusted.

Pursuant to the Supplemental Agreement, the settlement day for the gas charge by the Company based on the actual consumption of natural gas by the Group during each month was amended from the 25th day to the 10th day of month.

Save as disclosed above, all the terms of the 2016 Gas Supply Contract and 2017 Gas Supply Contract remain unchanged.

For details of the transactions, please refer to the announcements of the Company dated 31 October 2014, 30 December 2014, 17 March 2017 and the circular of the Company dated 12 December 2014.

(4) Gas Transportation

On 31 October 2014, Jinran Gas and the Company entered into a gas transportation contract in respect of the renewal of provision of gas transportation services through the gas pipelines owned and managed by the Company for natural gas transmission by Jinran Gas for the period from 1 January 2015 to 31 December 2017 (the "New Gas Transportation Contracts"). Jinran Gas is a subsidiary of Tianjin Energy (a controlling shareholder of the Company) and is hence a connected person of the Company, and the entering into the New Gas Transportation Contracts between Jinran Gas and the Company constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules. In return, Jinran Gas will pay to the Company the gas transportation fees. The said gas transportation fees are calculated based on the actual volume of natural gas and actual distance transmitted at RMB0.8 per 1,000 cubic metres per kilometre. The annual caps for the said gas transportation fees for the years ended 31 December 2015 and 31 December 2016 and the year ending 31 December 2017 are RMB13,290,000, RMB15,280,000 and RMB17,570,000 respectively. Actual transaction amount for the Year was RMB2,350,000.

As each of the applicable percentage ratios for the caps of the transaction contemplated under the New Gas Supply Contracts were on an annual basis, more than 0.1% but less than 5%, the New Gas Transportation Contracts were exempt from the independent shareholders' approval requirement and were only subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

For details of the transactions, please refer to the announcement of the Company dated 31 October 2014.

(5) Gas provision

On 31 October 2014, Tianjin Taihua Gas Co., Ltd.*（天津泰華燃氣有限公司）("Taihua Gas") and the Company entered into new gas provision contracts in respect of the supply of natural gas by the Company to Taihua Gas for the period from 1 January 2015 to 31 December 2017 (the "New Gas Provision Contracts"). Taihua Gas is a subsidiary of Tianjin Energy (a controlling shareholder of the Company) and is hence a connected person of the Company, and the entering into the New Gas Provision Contracts between Taihua Gas and the Company constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Pursuant to the New Gas Provision Contracts, the Group has agreed to supply to Taihua Gas and Taihua Gas has agreed to purchase from the Group up to 88.55 million, 97.41 million and 107.15 million cubic metres of natural gas for the years ended 31 December 2015 and 31 December 2016 and the year ending 31 December 2017 at a price of approximately RMB2.92 per cubic metre (tax excluded, and the price is subject to adjustment in accordance with the direction of the Tianjin municipal price bureau from time to time) with an annual cap of RMB259 million, RMB284 million and RMB313 million respectively. Actual transaction amount for the Year was RMB170,717,000.

As one or more of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules for the annual caps for the New Gas Provision Contracts for the Year, and the years ended 31 December 2015 and 31 December 2016 and the year ending 31 December 2017 exceeded 5%, the New Gas Provision Contracts were subject to, inter alia, the independent shareholders' approval, reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

For details of the transactions, please refer to the announcements of the Company dated 31 October 2014 and 30 December 2014 and the circular of the Company dated 12 December 2014.

REVIEW BY INDEPENDENT NON-EXECUTIVE DIRECTORS AND AUDITORS

In accordance with the provisions of the Listing Rules, the independent non-executive directors have reviewed the above continuing connected transactions. In their opinion, the continuing connected transactions were:

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

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

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

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

In addition, the Company's auditors have also confirmed in writing to the Board (copied to the Stock Exchange) in respect of the continuing connected transactions disclosed above that:

(i) nothing had come to their attention that causes them to believe that the disclosed continuing connected transactions had not been approved by the Company's Board;

(ii) for transactions involving the provision of goods and services by the Group, nothing had come to their attention that caused them to believe that the transactions were not, in all material respects, in accordance with the relevant agreements governing such transactions;

(iii) nothing had come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(iv) with respect to the aggregate amount of each of the continuing connected transactions set out in the attached list of continuing connected transactions, nothing had come to their attention that causes them to believe that the continuing connected transactions had exceed the annual cap as set by the Company.

Non-Exempt Connected Transactions

(1) Installation services of gas meters

On 8 June 2016, the Company entered into an installation services agreement (the "Installation Services Agreement") with Tianjin Yixiao Co Construction Development Limited*（天津市益銷燃氣工程發展有限公司）("Tianjin Yixiao"), which is owned as to 75% by Tianjin Zhongyuan Natural Gas Engineering Limited*（天津市眾元天然氣工程有限公司）(a subsidiary of 天津能源投資集團有限公司(Tianjin Energy Investment Company Limited*) ("Tianjin Energy")) and 25% by Tianjin Yunfu Natural Gas Trade Limited*（天津市允孚燃氣科貿有限公司）(a subsidiary of Tianjin Energy), pursuant to which Tianjin Yixiao agreed to provide installation services of indoor gas meters to the Company and its subsidiaries in Tianjin at a consideration of RMB10,240,000.

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

As one or more of the applicable percentage ratios (other than the profit ratio) for the Installation Services Agreement were more than 0.1% but below 5%, the Installation Services Agreement and the transactions contemplated thereunder were subject to, among other things, the reporting and announcement requirements but were exempt from independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

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

(2) Purchase of gas meter

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

As one or more of the applicable percentage ratios for the Purchase and Sales Agreement were more than 0.1% but below 5%, the Purchase and Sales Agreement and the transactions contemplated thereunder were subject to, among other things, the reporting and announcement requirements but were exempt from independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

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

* *For identification purposes only*

EXEMPTED CONNECTED TRANSACTIONS

The following related party transactions disclosed in Note 29 to the financial statements of this Report are fully exempt connected transaction or continuing connected transaction under Chapter 14A of the Listing Rules:–

1. The Company rented a premises in the PRC (the "Premises") from Tianjin Gas, a controlling shareholder of the Company and thus a connected person of the Company under the Listing Rules, the aggregate rent and property management fee paid by the Group to Tianjin Gas amounted to RMB327,000 and RMB140,000 respectively for the Period;

2. 天津市津能工程管理有限公司 (Tianjin Jinneng Project Management Company Limited*), a subsidiary of Tianjin Energy, a controlling shareholder of the Company, and thus a connected person of the Company under the Listing Rules, provided supervision services for the Company during the Period and the supervision fee paid by the Group to the said company amounted to RMB192,000 for the Period;

3. The Company purchased card readers and internet service from 天津市聯寅燃氣通信技術有限責任公司 (Tianjin Lianyin Gas Communication Technology Company Limited*), a subsidiary of Tianjin Energy, a controlling shareholder of the Company, and thus a connected person of the Company under the Listing Rules, the total purchase amounted to RMB113,000 for the Period; and

4. Tianjin Yixiao, a subsidiary of Tianjin Energy, a controlling shareholder of the Company, and thus a connected person of the Company under the Listing Rules, provided construction services for the Group's pipeline reconstruction projects with an amount of RMB1,829,000 for the Period.

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

Save as disclosed above, the Directors consider that those material related party transactions disclosed in Note 29 to the financial statements of this Report did not fall under the definition of "connected transactions" or "continuing connected transactions" (as the case may be) in Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the Listing Rules.

The above connected transactions and continuing connected transactions has followed the policies and guidelines when determining the price and terms of the transactions conducted for the year ended 31 December 2016.

PERMITTED INDEMNITY

During the Year, the Company has arranged Directors' and officers' liability insurance for all Directors and senior management of the Company. The insurance covers the corresponding costs, charges, expenses and liabilities for legal action of corporate activities against them.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers of the Group together accounted for approximately 43% of the Group's total turnover for the Year, with the largest customer accounted for approximately 14%. The five largest suppliers of the Group together accounted for approximately 97% of the Group's total purchases for the year, with the largest supplier accounted for 90%.

Except Jinran Gas, a company owned as to 51% by Tianjin Gas, a controlling shareholder of the Company, is a major supplier of the Group, at no time during the Year did a director, an associate of a director or a shareholder (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) have an interest in any of the Group's five largest customers or suppliers.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with the Listing Rules. The primary duties of the audit committee are to review and to provide supervision over the financial reporting process and risk management and internal control system of the Group. The Audit Committee comprises the three independent non-executive Directors, Mr. Guo Jia Li, Mr. Zhang Ying Hua and Mr. Yu Jian Jun. The Audit Committee has reviewed the report and the results for the Year.

SUFFICIENCY OF PUBLIC FLOAT

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

PRE-EMPTIVE RIGHTS

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

AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2016 have been audited by Ernst & Young, certified public accountants.

A resolution will be submitted to the annual general meeting of the Company to re-appoint Ernst & Young as the auditor of the Company.

MATERIAL CONTRACTS

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

EQUITY-LINKED AGREEMENTS

For the year ended 31 December 2016, the Company has not entered into any equity-linked agreement.

CORPORATE CHANGES

Change of Supervisor of the Company

The resignation of Mr. Xue Youzhi as an independent Supervisor took effect from 14 January 2016.

On 22 June 2016, Mr. Liu Zhi Yuan was appointed as an independent Supervisor.

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

INDEPENDENT AUDITOR'S REPORT

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

OPINION

We have audited the consolidated financial statements of TIANJIN JINRAN PUBLIC UTILITIES COMPANY LIMITED (the "Company") and its subsidiaries (the "Group") set out on pages 66 to 136, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the shareholders of
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KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	**How our audit addressed the key audit matter**
Impairment of trade receivables	
According to the accounting policies presented in note 2.4 to the consolidated financial statements, the impairment of receivables is made based on assessment of the recoverability of receivables due from customers. When determining whether a trade receivable is collectable, significant management judgement is involved. Management considers various factors which included the age of the balance, location of customers, existence of disputes, recent historical payment patterns and any other available information concerning the creditworthiness of customers. The Company's disclosures about impairment of trade receivables are included in note 19 to the consolidated financial statements.	Our procedures to assess the recoverability of trade receivables included, but are not limited to, inquiry about management's consideration, examination of subsequent receipts by checking to bank receipts, checking of the aging analysis by customer and comparison to the historical repayment pattern.

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KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Fair value measurement of available-for-sale investments	
As at 31 December 2016, the available-for-sale investments were significant to the consolidated financial statements. As disclosed in note 2.4 to the consolidated financial statements, the fair values of available-for-sale investments are estimated using a discounted cash flow valuation model based on assumptions with reference to the market information. The assessment of fair value imposes significant management estimates about the expected future cash flows and discount ratio. The Company's disclosures about fair value measurement of available-for-sale investments are included in note 16 to the consolidated financial statements.	We have executed the audit procedures over valuation of available-for-sale investments include the following: 1. We obtained the management's calculation sheet of the fair value of available-for-sale investments and performed recalculation with reference to the market prices at the end of reporting period. 2. We involved our valuation specialists to assist us in evaluating the methodologies and assumptions used by management.
Revenue recognition of gas connection contract	
As the accounting policies presented in note 2.4 to the consolidated financial statements, the revenue from gas connection contract are recognised by using the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract. When determining the estimated total cost of contract and cost incurred, significant estimates are involved. Management reviews the estimates of both actual cost and total contract costs in budget prepared for each contract as the contract progresses. The Company's disclosures about revenue from gas connection contract are included in note 5 to the consolidated financial statements.	We have obtained the management's calculation sheet of all gas connection contracts which are in progress as at 31 December 2016 and verified all the inputs involved, including costs incurred, total estimated costs and revenue contracts, examining the construction cost, designing and supervision cost, gas meters instalments cost. We obtained the relevant contracts, bank payments slips, report of construction progress status which has been confirmed by the supervision party, evaluated the percentage of completion of gas connection contracts which are in progress as at 31 December 2016.

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OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Melody Lam Siu Wah.

Ernst & Young
Certified Public Accountants
Hong Kong
22 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Continuing operations			
Revenue	5	**1,198,149**	1,322,843
Cost of sales		**(1,168,517)**	(1,295,754)
Gross profit		**29,632**	27,089
Other income and gains	5	**41,253**	43,692
Administrative expenses		**(22,583)**	(25,854)
Other expenses		**(706)**	(4,963)
Share of profit and loss of:			
An associate		**2,541**	8,915
Profit before tax from continuing operations	6	**50,137**	48,879
Income tax expense	9	**(11,008)**	(10,174)
Profit for the year from continuing operations		**39,129**	38,705
Discontinued operations			
Loss for the year from discontinued operations	10	**(2,354)**	(2,353)
Profit for the year		**36,775**	36,352
Other comprehensive income for the year, net of tax		**–**	–
Total comprehensive income for the year		**36,775**	36,352
Attributable to:			
Owners of the parent		**37,475**	37,004
Non-controlling interests		**(700)**	(652)
		36,775	36,352
Earnings per share attributable to ordinary equity holders of the parent	11		
Basic/Diluted			
– For profit for the year		**RMB2.0 cents**	RMB2.0 cents
– For profit from continuing operations		**RMB2.1 cents**	RMB2.1 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**868,524**	865,636
Prepaid land lease payments	13	**11,526**	11,828
Intangible assets	14	**376**	422
Investment in an associate	15	**45,413**	44,452
Deferred tax assets	17	**16,394**	11,687
Prepayment for pipeline reconstruction		**11,523**	11,019
Total non-current assets		**953,756**	945,044
CURRENT ASSETS			
Inventories	18	**3,446**	3,853
Trade receivables	19	**205,763**	211,915
Prepayments, deposits and other receivables	20	**47,710**	39,665
Available-for-sale investments	16	**404,181**	–
Cash and cash equivalents	21	**741,061**	1,003,009
		1,402,161	1,258,442
Assets of a disposal group classified as held for sale	10	**5,814**	7,725
Total current assets		**1,407,975**	1,266,167
CURRENT LIABILITIES			
Trade and bills payables	22	**250,226**	220,196
Other payables and accruals	23	**337,373**	270,005
Dividend payable		**10,975**	10,975
Tax payable		**2,937**	1,162
		601,511	502,338
Liabilities directly associated with the assets classified as held for sale	10	**2,570**	2,568
Total current liabilities		**604,081**	504,906
NET CURRENT ASSETS		**803,894**	761,261
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,757,650**	1,706,305

continued/...

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,757,650**	1,706,305
NON-CURRENT LIABILITIES			
Deferred income	24	**50,599**	36,029
Net assets		**1,707,051**	1,670,276
EQUITY			
Equity attributable to owners of the parent			
Share capital	25	**183,931**	183,931
Share premium and reserves	26	**1,525,818**	1,488,343
		1,709,749	1,672,274
Non-controlling interests		**(2,698)**	(1,998)
Total equity		**1,707,051**	1,670,276

Zhang Tian Hua
Director

Zhang Guo Jian
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2016

	Attributable to owners of the parent							
	Share capital RMB'000	**Share premium* RMB'000**	**Statutory surplus reserve* RMB'000**	**Enterprise expansion fund* RMB'000**	**Retained profits* RMB'000**	**Total RMB'000**	**Non-controlling interests RMB'000**	**Total RMB'000**
At 1 January 2016	**183,931**	**788,703**	**73,416**	**31,290**	**594,934**	**1,672,274**	**(1,998)**	**1,670,276**
Profit for the year	**–**	**–**	**–**	**–**	**37,475**	**37,475**	**(700)**	**36,775**
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**37,475**	**37,475**	**(700)**	**36,775**
Transfer from retained profits	**–**	**–**	**3,669**	**1,834**	**(5,503)**	**–**	**–**	**–**
At 31 December 2016	**183,931**	**788,703**	**77,085**	**33,124**	**626,906**	**1,709,749**	**(2,698)**	**1,707,051**

Year ended 31 December 2015

	Attributable to owners of the parent							
	Share capital RMB'000	Share premium* RMB'000	Statutory surplus reserve* RMB'000	Enterprise expansion fund* RMB'000	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2015	183,931	788,703	66,658	27,911	568,067	1,635,270	(1,346)	1,633,924
Profit for the year	–	–	–	–	37,004	37,004	(652)	36,352
Other comprehensive income for the year	–	–	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	37,004	37,004	(652)	36,352
Transfer from retained profits	–	–	6,758	3,379	(10,137)	–	–	–
At 31 December 2015	183,931	788,703	73,416	31,290	594,934	1,672,274	(1,998)	1,670,276

* These reserve accounts comprise the consolidated share premium and reserves of RMB1,525,818,000 (2015: RMB1,488,343,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:			
From continuing operations		**50,137**	48,879
From discontinued operations	10	**(2,354)**	(2,353)
Adjustments for:			
Share of profit and loss of an associate		**(2,541)**	(8,915)
Interest income		**(13,838)**	(3,453)
Loss on disposal of items of property, plant and equipment		**1,585**	715
Impairment loss recognised on the re-measurement to fair value less costs to sell	10	**1,966**	2,015
Gain on redemption of available-for-sale investments		**(10,822)**	(24,166)
Impairment/(reversal of impairment) of trade receivables		**(1,000)**	4,336
Depreciation	12	**50,749**	57,146
Amortisation of intangible assets	14	**46**	32
Amortisation of prepaid lease payments	13	**302**	302
Government grants credited to profit or loss		**(13,280)**	(8,698)
		60,950	65,840
Decrease/(increase) in inventories		**407**	(1,944)
Decrease in trade receivables		**7,152**	26,411
Increase in prepayments, deposits and other receivables		**(1,859)**	(482)
Increase in trade and bills payables		**96,226**	37,929
(Increase)/decrease in prepayment for pipeline reconstruction		**–**	860
Cash generated from operations		**162,876**	128,614
Income tax paid		**(13,939)**	(27,200)
Net cash flows from operating activities		**148,937**	101,414
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**13,838**	3,453
Purchases of items of property, plant and equipment		**(58,793)**	(27,718)
Proceeds from disposal of items of property, plant and equipment		**674**	4
Purchase of intangible assets		**–**	(351)
Dividend received from an associate		**1,580**	1,452
Proceeds from the redemption of available-for-sale investments and other investments		**3,858,557**	8,811,602
Purchases of available-for-sale investments and other investments		**(4,255,500)**	(7,994,000)
Government grants received		**29,022**	14,618
Net cash flows (used in)/from investing activities		**(410,622)**	809,060

continued/...

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES		**–**	–
Net cash flows from/(used in) financing activities		**–**	–
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(261,685)**	910,474
Cash and cash equivalents at beginning of year		**1,003,727**	93,253
CASH AND CASH EQUIVALENTS AT END OF YEAR		**742,042**	1,003,727
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	21	**741,061**	1,003,009
Cash and cash equivalents as stated in the statement of financial position		**741,061**	1,003,009
Cash and short term deposits attributable to the discontinued operations	10	**981**	718
Cash and cash equivalents as stated in the statement of cash flows		**742,042**	1,003,727

1. CORPORATE AND GROUP INFORMATION

The Company was established in the People's Republic of China (the "PRC") as a joint stock limited company. Its holding company is 天津市燃氣集團有限公司 ("Tianjin Gas") and its ultimate holding company is Tianjin Energy Investment Company Limited (天津能源投資集團有限公司), of which all equity interests are held by the Tianjin Municipal Government. The Company's overseas listed foreign shares ("H Shares") were listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 9 January 2004. In June 2007, the Company transformed into a foreign invested joint stock limited company. The Company's listing has been transferred from the GEM to the Main Board of the Stock Exchange since 18 October 2011. On 20 June 2012, the Company changed its name from Tianjin Tianlian Public Utilities Company Limited (天津天聯公用事業股份有限公司) to Tianjin Jinran Public Utilities Company Limited (天津津燃公用事業股份有限公司). A new business license under the new name of the Company was issued by the Tianjin Administration of Industry and Commerce Bureau (天津市工商行政管理局) on 17 August 2012.

The Company's registered address is Weishan Road, Chang Qing Science, Industry and Trade Park, Jinnan District, Tianjin. The principal activities of the Company are the operation and management of gas pipeline infrastructure and the sale and distribution of piped gas.

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

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
烏盟乾生津燃公用事業有限公司 ("烏盟乾生") Note(i)	PRC/ Mainland China	RMB1,000,000	60%	–	Dormant
天津天聯投資有限公司 ("天聯投資")	PRC/ Mainland China	RMB20,000,000	100%	–	Investment
貴州津維礦業投資有限公司 ("貴州津維")	PRC/ Mainland China	RMB26,000,000	–	88%	Mining business

1. CORPORATE AND GROUP INFORMATION *(continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
貴州省台江縣國新鉛鋅選礦有限責任公司("貴州國新")	PRC/ Mainland China	RMB5,000,000	–	70%	Mining business

Notes:

(i) 烏盟乾生 is dormant and has commenced the procedure of deregistration. Up to the date of issuance of these consolidated financial statements, the above deregistration has not been completed.

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

(iii) None of the subsidiaries was audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain financial instruments which have been measured at fair value. Disposal groups held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 2.4. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2016. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

2.1 BASIS OF PREPARATION *(continued)*

Basis of consolidation *(continued)*

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	*Amendments to a number of HKFRSs*

The application of the amendments to HKFRSs in the current year and prior years and/or the disclosures are set out in these consolidated financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[2]
HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[2]
HKFRS 16	*Leases*[3]
Amendments to HKAS 7	*Disclosure Initiative*[1]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

[1] Effective for annual periods beginning on or after 1 January 2017
[2] Effective for annual periods beginning on or after 1 January 2018
[3] Effective for annual periods beginning on or after 1 January 2019
[4] No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. During 2016, the Group performed a high-level assessment of the impact of the adoption of HKFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. The expected impacts arising from the adoption of HKFRS 9 are summarised as follows:

(a) Classification and measurement

The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value.

(b) Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and other receivables. The Group will perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for estimation of expected credit losses on its trade and other receivables upon the adoption of HKFRS 9.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt HKFRS 15 on 1 January 2018. During the year ended 31 December 2016, the Group performed a preliminary assessment on the impact of the adoption of HKFRS 15. The directors of the Company anticipate that the application of HKFRS 15 will have no material impact on the timing and amounts of revenue recognised in the respective reporting periods.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investment in an associate

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investment in an associate is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment in an associate *(continued)*

The Group's share of the post-acquisition results and other comprehensive income of an associate is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's investment in the associate, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not re-measured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Fair value measurement

The Group measures its available-for-sale debt investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value measurement *(continued)*

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, construction contract assets, financial assets and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets *(continued)*

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties *(continued)*

(b) the party is an entity where any of the following conditions applies: *(continued)*

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; and the sponsoring employers of the post-employment benefit plan;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation *(continued)*

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal estimated useful life are as follows:

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

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. The intangible assets are amortised on the straight-line basis over their estimated useful lives of 10 years.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables and available-for-sale financial investments. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Available-for-sale financial investments *(continued)*

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial assets *(continued)*

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Financial assets carried at amortised cost *(continued)*

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in profit or loss.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is removed from other comprehensive income and recognised in profit or loss.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, loans and borrowings as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, an amount due to the ultimate holding company, derivative financial instruments and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Provisions for product warranties granted by the Group on certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold, as further explained in the accounting policy for "Sales of piped gas and others" below;

(b) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for "Construction contracts – Gas connection contracts" below;

(c) rental income, on a time proportion basis over the lease terms; and

(d) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Sales of piped gas and others

Sales of piped gas and gas transportation income are recognised when gas is supplied to customers. Sales of gas appliances are recognised when goods are delivered and the relevant title has passed.

Construction contracts – Gas connection contracts

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

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

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

Employee benefits

Pension scheme

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute 20% of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its pipelines for gas transportation. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these pipelines which are leased out on operating leases.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

(continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2016 was Nil (2015: Nil). The amount of unrecognised tax losses at 31 December 2016 was RMB9,600,000 (2015: RMB8,847,000). Further details are contained in note 17 to the consolidated financial statements.

Fair value measurements and valuation processes

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

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets is shown in note 31 to the consolidated financial statements.

Impairment of trade receivables

The policy for impairment of trade receivables of the Group is based on the evaluation of collectability and the ageing analysis of trade receivables and on the judgement of management. A considerable amount of judgement is required in assessing the ultimate realisation of trade receivables, including the current creditworthiness and the past collection history of the customers. Management reassesses the estimation at the end of reporting period. Further details are included in note 19 to the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

Percentage of completion of gas connection contract

The Group recognises revenue from gas connection contract according to the percentage of completion of individual contract of gas connection work, which requires estimation to be made by management. The stage of completion is estimated by reference to the actual cost incurred over the total budgeted cost, and the corresponding contract revenue is also estimated by management. Due to the nature of the activity undertaken in gas connection contracts, the date at which is completed usually fall into different accounting period. Hence, the Group reviews and revises the estimates of both contract revenue and contract costs in the budget prepared by each contract as the contract progresses. Where the actual costs are more than estimated, a foreseeable loss may arise.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

(a) Sales of piped gas – sales of piped gas to industrial and residential users;

(b) Gas connection – provision of piped gas connection services;

(c) Gas transportation – transportation of gas; and

(d) Sales of gas appliances.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax from continuing operations. The adjusted profit/loss before tax from continuing operations is measured consistently with the Group's profit before tax from continuing operations except that interest income, finance costs, dividend income, fair value gains/losses from the Group's financial instruments as well as head office and corporate expenses are excluded from such measurement.

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2016

	Sales of piped gas RMB'000	Gas connection RMB'000	Gas transportation RMB'000	Sales of gas appliances RMB'000	Total RMB'000
Segment revenue:					
Sales to external customers	1,069,074	110,947	5,954	12,174	1,198,149
Segment results	(37,366)	63,356	260	3,382	29,632
Reconciliation:					
Share of profit and loss of an associate					2,541
Other income and gains					41,253
Other expenses					(706)
Corporate and other unallocated expenses					(22,583)
Profit before tax from continuing operations					50,137

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2015

	Sales of piped gas RMB'000	Gas connection RMB'000	Gas transportation RMB'000	Sales of gas appliances RMB'000	Total RMB'000
Segment revenue:					
Sales to external customers	1,173,572	120,934	3,575	24,762	1,322,843
Segment results	(38,808)	64,728	(2,955)	4,124	27,089
Reconciliation:					
Share of profit and loss of an associate					8,915
Other income and gains					43,692
Other expenses					(4,963)
Corporate and other unallocated expenses					(25,854)
Profit before tax from continuing operations					48,879

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

Geographical information

All revenue from continuing operations was generated in Mainland China and all non-current assets of the continuing operations were located in Mainland China.

Information about a major customer

Revenue from continuing operations of approximately RMB170,808,000 (2015: RMB216,850,000) was derived from sales by the piped gas segment to a single customer, including sales to a group of entities which are known to be under common control with that customer.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts; an appropriate proportion of contract revenue of construction contracts; the value of services rendered; and gross rental income received and receivable from investment properties during the year.

An analysis of revenue, other income and gains from continuing operations is as follows:

	2016 RMB'000	2015 RMB'000
Revenue		
Sale of piped gas	1,069,074	1,173,572
Gas connection income	110,947	120,934
Gas transportation income	5,954	3,575
Sales of gas appliances	12,174	24,762
	1,198,149	1,322,843
Other income		
Bank interest income	13,838	3,453
Value added tax refund	4,641	8,090
	18,479	11,543
Gains		
Net loss on disposal of items of property, plant and equipment	(1,361)	(715)
Gain on redemption of available-for-sale investments	10,822	24,166
Government grants	13,280	8,698
Others	33	–
	22,774	32,149
	41,253	43,692

6. PROFIT BEFORE TAX

The Group's profit before tax from continuing operations is arrived at after charging/(crediting):

	Notes	2016 RMB'000	2015 RMB'000
Cost of gas purchased		**914,684**	1,040,093
Cost of services provided		**47,015**	52,126
Depreciation	12	**50,749**	57,146
Amortisation of intangible assets	14	**46**	32
Amortisation of prepaid land lease payments	13	**302**	302
Minimum lease payments under operating leases		**336**	1,181
Auditors' remuneration		**960**	1,200
Net loss on disposal of items of property, plant and equipment		**1,361**	715
Employee benefit expense (excluding directors' and chief executive's remuneration (note 7)):			
Wages and salaries		**100,073**	98,339
Retirement Benefit scheme contributions		**14,062**	13,787
Welfare, labor union and others		**3,168**	3,844
		117,303	115,970
Impairment/(reversal of impairment) of trade receivables		**(1,000)**	4,336

7. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Group	
	2016	2015
	RMB'000	RMB'000
Fees	**300**	275
Other emoluments:		
Salaries, allowances and benefits in kind	**380**	381
Performance related bonuses	**527**	463
Pension scheme contributions	**42**	101
	949	945
	1,249	1,220

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2016	2015
	RMB'000	RMB'000
Luo Wei Kun (note 1)	**–**	25
Tam Tak Kei, Raymond (note 1)	**–**	50
Zhang Yu Li (notes 1 and 3)	**–**	–
Zhang Ying Hua (note 2)	**50**	25
Yu Jian Jun (note 2)	**50**	25
Guo Jia Li (note 2)	**50**	25
	150	150

There were no other emoluments payable to the independent non-executive directors during the year (2015: Nil).

7. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

(continued)

(b) Executive directors, non-executive director, the chief executive and supervisors

2016

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Retirement benefit scheme contributions RMB'000	Total remuneration RMB'000
Executive directors:					
Wang Wen Xia (note 3)	–	–	–	–	–
Hou Shuang Jiang (note 3)	–	–	–	–	–
Tang Jie	50	–	–	–	50
Zhang Tian Hua (note 3)	–	–	–	–	–
Zhang Guo Jian (notes 3 and 4)	–	178	218	14	410
	50	178	218	14	460
Non-executive director:					
Li Da Chuan (note 3)	–	–	–	–	–
Supervisors:					
Hao Li (note 3)	–	100	143	14	257
Xu Hui (note 6)	50	–	–	–	50
Xue You Zhi (note 8)	25	–	–	–	25
Yang Hu Ling (notes 3 and 6)	–	–	–	–	–
Feng Jin Hu (notes 3 and 7)	–	102	166	14	282
Liu Zhi Yuan (note 8)	25	–	–	–	25
	100	202	309	28	639
	150	380	527	42	1,099

7. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

(continued)

(b) Executive directors, non-executive director, the chief executive and supervisors *(continued)*

2015

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Retirement benefit scheme contributions RMB'000	Total Remuneration RMB'000
Executive directors:					
Wang Wen Xia (note 3)	–	–	–	–	–
Hou Shuang Jiang (note 3)	–	–	–	–	–
Tang Jie	50	–	–	–	50
Zhang Tian Hua (note 3)	–	–	–	–	–
Zhang Guo Jian (notes 3 and 4)	–	190	152	34	376
	50	190	152	34	426
Non-executive director:					
Li Da Chuan (note 3)	–	–	–	–	–
Supervisors:					
Cao Shu Jing (notes 3 and 5)	–	–	–	–	–
Hao Li (note 3)	–	75	152	34	261
Jiang Nian (notes 3 and 5)	–	–	–	–	–
Sun Xue Gang (notes 3 and 5)	–	77	70	17	164
Dou Run Liang (note 5)	25	–	–	–	25
Xu Hui (note 6)	25	–	–	–	25
Xue You Zhi (note 8)	25	–	–	–	25
Yang Hu Ling (notes 3 and 6)	–	–	–	–	–
Li Rui Wen (notes 3 and 7)	–	14	6	8	28
Feng Jin Hu (notes 3 and 7)	–	25	83	8	116
	75	191	311	67	644
	125	381	463	101	1,070

7. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

(continued)

(b) Executive directors, non-executive director, the chief executive and supervisors *(continued)*

Note 1: Mr. Luo Wei Kun, Mr. Tam Tak Kei, Raymond and Mr. Zhang Yu Li resigned as independent non-executive directors of the Group on 16 June 2015.

Note 2: Mr. Zhang Ying Hua, Mr. Yu Jian Jun and Mr. Guo Jia Li were appointed as independent non-executive directors of the Group on 16 June 2015.

Note 3: These directors and supervisors waived their remuneration from 1 January 2015.

Note 4: Mr. Zhang Guo Jian was appointed as an executive director of the Group. The Company does not have any officer with the title of "chief executive officer" or "chief executive", but the duties of a chief executive officer have been carried out by Mr. Zhang Guo Jian, the general manager of the Company. The emoluments disclosed above include those for services rendered by him as the general manager of the Company.

Note 5: Mr. Cao Shu Jing, Mr. Sun Xue Gang and Mr. Dou Run Liang resigned as supervisors of the Group on 16 June 2015.

Note 6: Ms. Xu Hui and Mr. Yang Hu Ling were appointed as supervisors of the Group on 16 June 2015.

Note 7: Mr. Li Rui Wen was appointed as a staff representative supervisor from 16 June 2015 and resigned as a staff representative supervisor with effect from 14 September 2015. On the same day, Mr. Feng Jinhu was appointed as a staff representation supervisor of the Group to fill the vacancy.

Note 8: Mr. Xue You Zhi was appointed as a supervisor of the Group on 16 June 2015 and resigned as a supervisor with effect from 14 January 2016. On 25 April 2016, Mr. Liu Zhi Yuan was appointed as a supervisor of the Group to fill the vacancy.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one director and one supervisor (2015: one director and one supervisor), details of whose remuneration are set out in note 7 above. Details of the remuneration for the year of the remaining three (2015: three) highest paid employees who are not a director of the Company are as follows:

	2016 **RMB'000**	2015 RMB'000
Salaries, allowances and benefits in kind	**861**	859
Retirement benefit scheme contributions	**42**	27
	903	886

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2016	2015
Nil to RMB1,000,000	**3**	3
	3	3

9. INCOME TAX

Income tax has been provided at the rate of 25% (2015: 25%) on the estimated assessable profits arising in Mainland China during the year.

	2016	2015
	RMB'000	RMB'000
Current – Mainland China		
Charge for the year	**15,715**	14,170
Deferred (note 17)	**(4,707)**	(3,996)
Total tax charge for the year	**11,008**	10,174

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the country in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, are as follows:

	2016		2015	
	RMB'000	**%**	RMB'000	%
Profit before tax from continuing operations	**50,137**		48,879	
Tax at the statutory tax rate	**12,535**	**25.00**	12,220	25.00
Profits and losses attributable to an associate	**(635)**	**(1.27)**	(2,229)	(4.56)
Recognition of unrecognised temporary difference of previous years	**(1,022)**	**(2.04)**	–	–
Expenses not deductible for tax	**64**	**0.13**	102	0.21
Tax losses not recognised	**66**	**0.13**	81	0.17
Tax charge at the Group's effective rate	**11,008**	**21.95**	10,174	20.82

10. DISCONTINUED OPERATIONS

On 23 June 2014, the Company announced the decision of its board of directors to dispose of its equity interest of 88% in 貴州津維. 貴州津維 owns a 70% equity interest in 貴州國新 which owns the mining rights of a lead-zinc mine located in Taijiang County, Guizhou Province. Both 貴州津維 and 貴州國新 are engaged in the mining and trading of lead and zinc operation ("mineral operation").

Since June 2014, the market conditions that existed at the date the disposal group was classified initially as held for sale have deteriorated and, as a result, the disposal group was not sold to the interested parties by the end of the year ended 31 December 2016. The Group remains committed to its plan to sell the disposal group and the disposal group continues to be actively marketed at a price that is reasonable given the change in market conditions. As a result, the Directors consider the assets should continue to be classified as held for sale at the end of the reporting period.

As a result, the Group's mineral operation was presented as discontinued operations in the consolidated statement of profit or loss and other comprehensive income separately from continuing operation for the years ended 31 December 2016 and 2015. As at 31 December 2016 and 2015, the assets and liabilities attributable to the operations have been classified as a disposal group held for sale and are separately presented in the consolidated statement of financial position.

In the year ended 31 December 2016, impairment loss of RMB1,068,000 (2015: RMB1,068,000) and RMB898,000 (2015: RMB947,000) have been recognised to write down the mining rights and property, plant and equipment included in the assets and liabilities classified as held for sale to its estimated fair value less costs to sell. The fair value less cost of disposal is based on offers received available near reporting date as well as recent sales of similar mining rights, and is therefore within level 3 of the fair value hierarchy.

As at 31 December 2016 and 2015, with 貴州津維 and 貴州國新 being classified as discontinued operations, the mining and trading of lead and zinc operation is no longer included in the note for operating segment information.

10. DISCONTINUED OPERATIONS *(continued)*

The results of 貴州津維 and 貴州國新 for the year are presented below:

	2016 **RMB'000**	2015 RMB'000
Revenue	**–**	–
Expenses	**(388)**	(338)
Loss from the discontinued operations	**(388)**	(338)
Loss recognised on the re-measurement to fair value	**(1,966)**	(2,015)
Loss before tax from the discontinued operations	**(2,354)**	(2,353)
Income tax	**–**	–
Loss for the year from the discontinued operations	**(2,354)**	(2,353)

The major classes of assets and liabilities of 貴州津維 and 貴州國新 classified as held for sale as at 31 December are as follows:

	2016 **RMB'000**	2015 RMB'000
Assets		
Other property, plant and equipment	**2,438**	3,560
Mining rights	**2,123**	3,191
Prepayments, deposits and other receivables	**272**	256
Cash and short term deposits	**981**	718
Assets classified as held for sale	**5,814**	7,725
Liabilities		
Trade payables, other payables and accruals	**(2,570)**	(2,568)
Liabilities directly associated with the assets classified as held for sale	**(2,570)**	(2,568)
Net assets directly associated with the disposal group	**3,244**	5,157

10. DISCONTINUED OPERATIONS *(continued)*

The net cash flows incurred by 貴州津維 and 貴州國新 are as follows:

	2016 **RMB'000**	2015 RMB'000
Operating activities	**263**	241
Investing activities	**–**	–
Financing activities	**–**	–
Net cash inflow	**263**	241
Loss per share:		
Basic, from the discontinued operations	**RMB(0.09 cents)**	RMB(0.09 cents)

The calculations of basic earnings per share from the discontinued operations are based on:

	2016	2015
Loss attributable to ordinary equity holders of the parent from the discontinued operations (RMB'000)	**(1,654)**	(1,701)
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation (note 11)	**1,839,307,800**	1,839,307,800

11. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,839,307,800 (2015: 1,839,307,800) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2016 and 2015.

The calculations of basic and diluted earnings per share are based on:

	2016 **RMB'000**	2015 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:		
From continuing operations	**39,129**	38,705
From discontinued operations	**(1,654)**	(1,701)
	37,475	37,004

	Number of shares **2016**	 2015
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,839,307,800**	1,839,307,800

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings RMB'000	Pipelines RMB'000	Machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Mining structures RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2016								
At 1 January 2016:								
Cost or valuation	44,528	1,075,861	85,557	6,417	9,862	–	14,893	1,237,118
Accumulated depreciation and impairment	(10,204)	(323,443)	(26,364)	(4,062)	(7,409)	–	–	(371,482)
Net carrying amount	34,324	752,418	59,193	2,355	2,453	–	14,893	865,636
At 1 January 2016, net of accumulated depreciation and impairment	34,324	752,418	59,193	2,355	2,453	–	14,893	865,636
Additions	987	887	7,972	656	608	–	47,178	58,288
Transfer internally	–	49,814	–	–	–	–	(49,814)	–
Transfer to cost of gas connection projects	–	–	–	–	–	–	(2,617)	(2,617)
Disposals	–	(1,584)	(54)	(17)	(379)	–	–	(2,034)
Depreciation provided during the year	(1,037)	(44,134)	(4,287)	(543)	(748)	–	–	(50,749)
At 31 December 2016, net of accumulated depreciation and impairment	34,274	757,401	62,824	2,451	1,934	–	9,640	868,524
At 31 December 2016:								
Cost or valuation	45,515	1,117,762	93,440	7,055	6,602	–	9,640	1,280,014
Accumulated depreciation and impairment	(11,241)	(360,361)	(30,616)	(4,604)	(4,668)	–	–	(411,490)
Net carrying amount	34,274	757,401	62,824	2,451	1,934	–	9,640	868,524

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

	Leasehold land and buildings RMB'000	Pipelines RMB'000	Machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Mining structures RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2015								
At 1 January 2015:								
Cost or valuation	44,528	1,062,947	75,498	6,008	9,332	–	11,749	1,210,062
Accumulated depreciation and impairment	(9,167)	(274,079)	(22,352)	(3,508)	(6,632)	–	–	(315,738)
Net carrying amount	35,361	788,868	53,146	2,500	2,700	–	11,749	894,324
At 1 January 2015, net of accumulated depreciation and impairment	35,361	788,868	53,146	2,500	2,700	–	11,749	894,324
Additions	–	–	10,125	420	517	–	21,206	32,268
Transfer internally	–	14,793	–	–	178	–	(14,971)	–
Transfer to cost of gas connection projects	–	–	–	–	–	–	(3,091)	(3,091)
Disposals	–	(649)	(46)	(1)	(23)	–	–	(719)
Depreciation provided during the year	(1,037)	(50,594)	(4,032)	(564)	(919)	–	–	(57,146)
At 31 December 2015, net of accumulated depreciation and impairment	34,324	752,418	59,193	2,355	2,453	–	14,893	865,636
At 31 December 2015:								
Cost or valuation	44,528	1,075,861	85,557	6,417	9,862	–	14,893	1,237,118
Accumulated depreciation and impairment	(10,204)	(323,443)	(26,364)	(4,062)	(7,409)	–	–	(371,482)
Net carrying amount	34,324	752,418	59,193	2,355	2,453	–	14,893	865,636

13. PREPAID LAND LEASE PAYMENTS

	2016 RMB'000	2015 RMB'000
Carrying amount at 1 January	**12,130**	12,432
Recognised during the year	**(302)**	(302)
Carrying amount at 31 December	**11,828**	12,130
Current portion included in prepayments, deposits and other receivables (note 20)	**302**	302
Non-current portion	**11,526**	11,828

14. INTANGIBLE ASSETS

	Software RMB'000
31 December 2016	
Cost at 1 January 2016, net of accumulated amortisation	422
Amortisation provided during the year	(46)
At 31 December 2016	376
At 31 December 2016:	
Cost	462
Accumulated amortisation	(86)
Net carrying amount	376
31 December 2015	
Cost at 1 January 2015, net of accumulated amortisation	103
Addition	351
Amortisation provided during the year	(32)
At 31 December 2015	422
At 31 December 2015 and at 1 January 2016:	
Cost	462
Accumulated amortisation	(40)
Net carrying amount	422

15. INVESTMENT IN AN ASSOCIATE

	2016 RMB'000	2015 RMB'000
Share of net assets	**41,816**	40,855
Goodwill on acquisition	**3,597**	3,597
	45,413	44,452

The Group's trade receivable and payable balances with the associate are disclosed in notes 19 and 22 to the financial statements, respectively.

Particulars of the material associate are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
天津市濱海燃氣有限公司("濱海燃氣")	RMB2,200,000	PRC/ Mainland China	30.55%	30.55%	30.55%	Manufacture and sale of electronic products

The above investment is directly held by the Company.

15. INVESTMENT IN AN ASSOCIATE *(continued)*

濱海燃氣, which is considered a material associate of the Group, is accounted for using the equity method.

The following table illustrates the summarised financial information in respect of 濱海燃氣 adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2016 RMB'000	2015 RMB'000
Current assets	164,473	177,006
Non-current assets, excluding goodwill	306,164	282,026
Goodwill on acquisition of the associate	3,597	3,597
Current liabilities	217,473	183,403
Non-current liabilities	116,286	141,898
Net assets	140,475	137,328
Net assets, excluding goodwill	136,878	133,731
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	30.55%	30.55%
Group's share of net assets of the associate, excluding goodwill	41,816	40,855
Goodwill on acquisition (less cumulative impairment)	3,597	3,597
Carrying amount of the investment	45,413	44,452
Revenue	174,113	316,237
Profit for the year	8,316	29,182
Other comprehensive income	–	–
Dividend received	1,580	1,452

16. AVAILABLE-FOR-SALE INVESTMENTS

	2016 RMB'000	2015 RMB'000
Unlisted debt investments, at fair value	**404,181**	–

The balances as at 31 December 2016 represented the investments in the structured products amounting to RMB404,181,000, which were issued by licensed financial institutions with a guaranteed principal and not redeemable before the maturity date by the Group. The expected annual return rates of the structured products range from 2.60% to 3.00% per annum and maturity period are all within 60 days. The structured products are classified as available-for-sale debt investments on initial recognition.

17. DEFERRED TAX

The movements in deferred tax assets/liabilities during the year are as follows:

Deferred tax assets:

	2016 RMB'000	2015 RMB'000
At 1 January	**11,687**	7,691
Deferred tax credited to profit or loss (note 9)	**4,707**	3,996
At 31 December	**16,394**	11,687

The deferred tax assets are attributed to the following items:

	31 December 2016 RMB'000	31 December 2015 RMB'000
Deferred tax assets:		
Provision for impairment of receivables	**3,191**	2,419
Government grants received but not yet recognised as income	**13,203**	9,268

17. DEFERRED TAX *(continued)*

Deferred tax assets have not been recognised in respect of the following items:

	31 December 2016 RMB'000	31 December 2015 RMB'000
Tax losses from continuing operations	**1,089**	824
Deductible temporary differences	**–**	4,086
Tax losses from the discontinued operations	**8,511**	8,023
Impairment of mining rights and property, plant and equipment of the discontinued operations	**11,488**	9,622
	21,088	22,555

The above tax losses are available in the coming one to five years for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

18. INVENTORIES

	2016 RMB'000	2015 RMB'000
Gas appliances	**2,750**	3,064
Spare parts and consumables	**502**	578
Gas	**194**	211
	3,446	3,853

19. TRADE RECEIVABLES

	2016 RMB'000	2015 RMB'000
Trade receivables	**187,292**	139,493
Notes receivable	**28,948**	83,899
Impairment	**(10,477)**	(11,477)
	205,763	211,915

Most of the trade receivables and other receivables impaired were past due for over one year as at the end of the reporting period with no subsequent settlement records.

The Group has a policy of allowing an average credit period of 90 days to its customers, and up to 180 days for certain customers with long-established relationship and good repayment history.

The impairment of receivables is made based on the assessment of the recoverability of the receivables due from customers. When determining whether a trade receivable is collectable, significant management judgement is involved. Management considers various factors which included the age of the balance, location of customers, existence of disputes, recent historical payment patterns and any other available information concerning the creditworthiness of customers.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	2016 RMB'000	2015 RMB'000
Within 3 month	**183,645**	173,139
3 to 6 months	**10,611**	1,424
6 to 9 months	**765**	1,097
9 to 12 months	**4,966**	14,641
Over 1 year	**5,776**	21,614
	205,763	211,915

19. TRADE RECEIVABLES *(continued)*

The movements in provision for impairment of trade receivables are as follows:

	2016	2015
	RMB'000	RMB'000
At beginning of year	**11,477**	7,141
Impairment losses recognised	**–**	5,652
Amount written off as uncollectible	**–**	–
Impairment losses reversed	**(1,000)**	(1,316)
	10,477	11,477

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB10,477,000 (2015: RMB11,477,000) with a carrying amount before provision of RMB10,477,000 (2015: RMB11,477,000).

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in interest and/or principal payments and only a portion of the receivables is expected to be recovered.

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2016	2015
	RMB'000	RMB'000
Neither past due nor impaired	**165,308**	90,664
Less than 3 month past due	**765**	1,097
3 to 6 months past due	**4,966**	14,641
6 months to 1 year past due	**4,275**	11,956
Over 1 years past due	**1,501**	9,658
	176,815	128,016

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

19. TRADE RECEIVABLES *(continued)*

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Included in the Group's trade receivables are amounts due from its joint ventures of Tianjin Gas and fellow subsidiaries of RMB880,000 (2015: RMB22,957,000) and RMB13,065,000 (2015: RMB37,426,000),respectively, which are repayable on credit terms similar to those offered to the major customers of the Group.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016 **RMB'000**	2015 RMB'000
Prepayments	**22,712**	9,994
Deposits and other receivables	**9,419**	10,728
Value added tax input	**17,562**	20,926
Current portion of prepaid land lease payments (note 13)	**302**	302
Less: impairment loss recognised	**(2,285)**	(2,285)
	47,710	39,665

Included in the Group's prepayments, deposits and other receivables are amounts due from fellow subsidiaries of RMB8,008,000 (2015: RMB3,726,000), which are repayable on credit terms similar to those offered to the major customers of the Group.

21. CASH AND CASH EQUIVALENTS

	2016 **RMB'000**	2015 RMB'000
Cash and bank balances	**222,061**	169,009
Time deposits	**519,000**	834,000
Cash and cash equivalents	**741,061**	1,003,009

Cash at banks earns interest at floating rates based on daily bank deposit rates.

22. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2016	2015
	RMB'000	RMB'000
Within 3 month	**205,849**	183,656
3 to 6 months	**241**	3,889
6 to 9 months	**14,731**	17,622
9 to 12 months	**4,457**	6,898
Over 1 year	**24,948**	8,131
	250,226	220,196

The trade payables are non-interest-bearing and are normally settled on 60 day terms.

Included in the Group's trade payables are amounts due to a joint venture of Tianjin Gas and fellow subsidiaries of RMB153,505,000 (2015: RMB141,745,000) and RMB11,645,000 (2015: RMB10,812,000), respectively. These balances are unsecured, interest-free and have no fixed terms of repayment.

23. OTHER PAYABLES AND ACCRUALS

	2016	2015
	RMB'000	RMB'000
Advance from customers	**277,073**	219,065
Value added tax payable and other tax payables	**27,555**	24,024
Accrued staff costs and pension	**21,743**	20,654
Accrued expense	**8,788**	5,220
Deferred income (note 24)	**2,214**	1,042
	337,373	270,005

23. OTHER PAYABLES AND ACCRUALS *(continued)*

Other payables are non-interest-bearing and have an average term of three months.

Included in the Group's advance from customers are amounts due to fellow subsidiaries of RMB2,634,000 (2015: RMB2,503,000). Included in the Group's accrued expense are amounts due to a joint venture of Tianjin Gas and fellow subsidiaries of RMB2,190,000 (2015: RMB1,692,000) and RMB498,000 (2015: RMB:Nil), respectively. These balances are unsecured, interest-free and has no fixed terms of repayment.

24. DEFERRED INCOME

	2016 **RMB'000**	2015 RMB'000
Government grants		
At 1 January	**37,071**	25,423
Received during the year	**18,480**	14,618
Recognised as income	**(2,738)**	(2,970)
	52,813	37,071
Portion classified as current liabilities (note 23)	**2,214**	1,042
Non-current portion	**50,599**	36,029

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

25. SHARE CAPITAL

Shares

	2016 **RMB'000**	2015 RMB'000
Issued and fully paid:		
1,839,307,800 (2015: 1,839,307,800) ordinary shares	**183,931**	183,931

25. SHARE CAPITAL *(continued)*

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital RMB'000
At 1 January 2015	**1,839,307,800**	183,931
At 31 December 2015 and 1 January 2016	**1,839,307,800**	183,931
At 31 December 2016	**1,839,307,800**	183,931

26. SHARE PREMIUM AND RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 69 of this annual report.

27. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its pipelines under operating lease arrangements, with leases negotiated for three years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2016, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2016 RMB'000	2015 RMB'000
Within one year	**6,000**	–
In the second to fifth years, inclusive	**8,000**	–
	14,000	–

27. OPERATING LEASE ARRANGEMENTS *(continued)*

(b) As lessee

The Group leases its internet server under operating lease arrangements, with leases negotiated for terms of one year. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2016, the Group had total future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2016 **RMB'000**	2015 RMB'000
Within one year	**17**	1,186
	17	1,186

28. COMMITMENTS

In addition to the operating lease commitments detailed in note 27(b) above, the Group had the following capital commitments at the end of the reporting period:

	2016 **RMB'000**	2015 RMB'000
Contracted, but not provided for:		
Plant and machinery	**805**	4,073
	805	4,073

29. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	Notes	**2016 RMB'000**	2015 RMB'000
Tianjin Gas:			
Rental expenses		**327**	980
Property management fee		**140**	420
Joint venture of Tianjin Gas			
Gas transportation income		**2,350**	3,575
Purchase of piped gas	(i)	**905,202**	1,024,276
Entrustment fee		**–**	89
Fellow subsidiaries:			
Sales of gas	(ii)	**170,856**	216,965
Gas transportation income		**3,604**	–
Repair service income		**–**	106
Purchase of gas meters	(iii)	**8,754**	9,478
Installation services of gas meters		**3,213**	5,020
Construction design fee		**1,890**	2,538
Gas connection service fee		**1,829**	793
Purchase of equipment		**–**	1,164
Purchase of card readers and internet service		**113**	110
Supervision fee		**192**	178

Notes:

(i) The Company purchases piped gas from 津燃華潤燃氣集團有限公司, a joint venture of Tianjin Gas. The price is subject to adjustment in accordance with the direction of the Tianjin Municipal Price Bureau from time to time.

(ii) The Company sells piped gas to 天津泰華燃氣有限公司, a fellow subsidiary of Tianjin Gas, and other related parties with a price in accordance with the direction of the Tianjin Municipal Price Bureau.

(iii) The Company purchases gas meters from 天津市裕民燃氣表具有限公司, a fellow subsidiary of Tianjin Gas with a price of RMB350 per meter.

29. RELATED PARTY TRANSACTIONS *(continued)*

(b) Outstanding balances with related parties:

Details of the Group's trade balances with its joint ventures of Tianjin Gas and fellow subsidiaries as at the end of the reporting period are disclosed in notes 19 and 22 to the consolidated financial statements.

(c) Other transactions with related parties:

In 2014, Tianjin Government approved the Group's pipeline reconstruction projects with total estimated costs of RMB24,206,000, of which RMB14,866,000 is to be financed by government grants and the remaining balance of RMB9,340,000 is to be borne by the Group. The reconstruction projects are to replace certain existing old pipelines, whose net book values are negligible, with new pipelines. Tian Tianjin Government has assigned and hence the Group have entrusted 津燃華潤燃氣集團有限公司 to manage and execute the reconstruction projects of the Group. As of 31 December 2016, the total costs of pipeline reconstruction and the related expenses to-date amounted to RMB12,366,000 and RMB317,000, respectively and both of the Tianjin Government and the Group has paid through 津燃華潤燃氣集團有限公司 the full amount of the total estimated costs of RMB14,866,000 and RMB9,340,000, respectively. Therefore, the balance of RMB11,523,000 is presented as a prepayment for pipeline reconstruction in the consolidated statement of financial position as at 31 December 2016 and will be recorded as a long-term asset when the construction is completed.

(d) Compensation of key management personnel of the Group:

	2016 **RMB'000**	2015 RMB'000
Short term employee benefits	**2,068**	1,978
Post-employment benefits	**84**	128
Total compensation paid to key management personnel	**2,152**	2,106

Further details of directors' and the chief executive's emoluments are included in note 7 to the consolidated financial statements.

The related party transactions in respect of item (a) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

30. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2016

Financial assets

	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Available-for-sale investments	–	404,181	404,181
Trade receivables	205,763	–	205,763
Financial assets included in prepayments, deposits and other receivables (note 20)	7,134	–	7,134
Cash and cash equivalents	741,061	–	741,061
	953,958	404,181	1,358,139

Financial liabilities

	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and bills payables	250,226	250,226
Financial liabilities included in other payables and accruals (note 23)	8,788	8,788
	259,014	259,014

30. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: *(continued)*

2015

Financial assets

	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Trade receivables	211,915	–	211,915
Financial assets included in prepayments, deposits and other receivables (note 20)	8,443	–	8,443
Cash and cash equivalents	1,003,009	–	1,003,009
	1,223,367	–	1,223,367

Financial liabilities

	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and bills payables	220,196	220,196
Financial liabilities included in other payables and accruals (note 23)	5,220	5,220
	225,416	225,416

31. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2016	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Available-for-sale investments	**404,181**	–	**404,181**	–

Management has assessed that the fair values of cash and cash equivalents, trade and bills receivables, trade payables, financial assets included in prepayments, deposits and other receivables and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values.

The fair values of unlisted available-for-sale debt investments have been estimated using a discounted cash flow valuation model based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to make estimates about the expected future cash flows including expected future dividends and proceeds from subsequent disposal of the shares. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

31. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Available-for-sale investments:				
Debt investments	–	404,181	–	404,181

As at 31 December 2015

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Available-for-sale investments:				
Debt investments	–	–	–	–

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instrument, comprise cash and short term deposits and available-for-sale investments. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(continued)

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash and short term deposits and available-for-sale investments. Management considers that such exposure for variable-rate bank deposits is limited.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and other receivables and certain financial instruments, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

At the end of the reporting period, the Group had certain concentrations of credit risk as 40% (2015: 28%) and 67% (2015: 74%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers, respectively.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 19 to the consolidated financial statements.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(continued)

Liquidity risk *(continued)*

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Group

	2016				
	On demand or less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade and bills payables	250,226	–	–	–	250,226
Financial liabilities included in other payables and accruals (note 23)	8,788	–	–	–	8,788
	259,014	–	–	–	259,014

	2015				
	On demand or less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade and bills payables	220,196	–	–	–	220,196
Financial liabilities included in other payables and accruals (note 23)	5,220	–	–	–	5,220
	225,416	–	–	–	225,416

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2016 and 2015.

The Group monitors capital using a gearing ratio, which is total liabilities divided by total assets as at 31 December 2016 was 28% (2015: 24%).

33. EVENTS AFTER THE REPORTING PERIOD

In February 2017, the Company entered into wealth management agreements with two PRC financial institutions for the subscription of financial products with the subscription amount of RMB400 million in total.

34. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the consolidated financial statements, due to the adoption of the new and revised HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made, and certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment.

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**868,493**	865,527
Prepaid lease payments	**11,526**	11,828
Intangible assets	**376**	422
Investment in subsidiary	**5,000**	5,000
Investments in an associates	**8,778**	8,778
Deferred tax assets	**20,144**	15,437
Prepayments for pipeline reconstruction	**11,523**	11,019
Total non-current assets	**925,840**	918,011
CURRENT ASSETS		
Inventories	**3,446**	3,853
Trade and note receivables	**205,763**	211,915
Prepayment and other receivables	**47,910**	39,765
Available-for-sale investments	**404,181**	–
Cash and cash equivalents	**739,633**	1,001,055
Total current assets	**1,400,933**	1,256,588
CURRENT LIABILITIES		
Trade and bills payables	**252,440**	221,237
Other payables and accruals	**335,004**	268,810
Dividend payable	**10,975**	10,975
Income tax payable	**2,937**	1,162
Total current liabilities	**601,356**	502,184
NET CURRENT ASSETS	**799,577**	754,443
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,725,417**	1,672,415

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

(continued)

	2016 RMB'000	2015 RMB'000
NON-CURRENT LIABILITIES		
Deferred income	**50,599**	36,029
Net assets	**1,674,818**	1,636,386
EQUITY		
Share capital	**183,931**	183,931
Share premium and reserves	**1,490,887**	1,452,455
Total equity	**1,674,818**	1,636,386

Note:

A summary of the Company's reserves is as follows:

	Share premium RMB'000	**Statutory surplus** RMB'000	**Enterprise expansion fund** RMB'000	**Retained profits*** RMB'000	**Total** RMB'000
Balance at 1 January 2015	788,703	66,658	27,911	537,617	1,420,889
Profit for the year and total comprehensive income for the year	–	–	–	31,566	31,566
Appropriation	–	6,758	3,379	(10,137)	–
At 31 December 2015	788,703	73,416	31,290	559,046	1,452,455
Profit for the year and total comprehensive income for the year	–	–	–	38,432	38,432
Appropriation	–	3,669	1,834	(5,503)	–
At 31 December 2016	788,703	77,085	33,124	591,975	1,490,887

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

(continued)

*: The directors of the Company consider that the investment in subsidiary of 天津天聯投資有限公司 has been impaired prior to 2015 due to the recoverable amount of the subsidiary was lower than its investment cost in prior years, in this regard, the impairment loss of investment in this subsidiary was charged into the Company's retained profits as at 1 January 2015. The recognition of impairment loss of investment in this subsidiary has restated the financial statements of 2015. The effect of restatement is to decrease the carrying amount of investment in subsidiary by RMB15,000,000; increase the deferred tax assets by RMB3,750,000; decrease the retained profit as at 1 January 2015 by RMB11,250,000.

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 22 March 2017.

FIVE YEAR FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2016	2015	2014	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**1,198,149**	1,322,843	1,448,785	1,487,278	1,538,939
Profit for the year and total comprehensive income for the year	**36,775**	36,352	66,128	80,434	119,188
Profit for the year and total comprehensive income for the year attributable to owners of the parent	**37,475**	37,004	67,504	84,080	119,577

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2016	2015	2014	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	**1,407,975**	1,266,167	1,173,030	896,006	712,715
Non-current assets	**953,756**	945,044	964,447	1,002,437	1,062,000
Current liabilities	**604,081**	504,906	478,859	326,484	257,924
Non-current liabilities	**50,599**	36,029	24,694	4,163	–
Equity attributable to owners of the parent	**1,707,051**	1,670,276	1,633,924	1,567,796	1,516,791

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

Time Frame

From 1 January 2016 to 31 December 2016, partial contents are beyond the above time frame.

Guidance for the Report

This report is developed with reference to the *Environmental, Social and Governance Reporting Guide* issued by the Stock Exchange of Hong Kong ("SEHK") and the *Sustainability Reporting Guidelines* ("G4") issued by the Global Reporting Initiative ("GRI").

Explanations on Data

Historical data cited in this report is the final statistical data. In case of any discrepancies between financial data and annual reports, the latter shall prevail. Unless otherwise stated, Renminbi is used in this report as functional currency.

Publication Form

The Environmental, Social and Governance Report of the Company is in Chinese and English. Please log in http://www.jinrangongyong.com/ for the electronic version.

Explanations on Short Names

For ease of presentation, Tianjin Jinran Public Utilities Company Limited is expressed as "JINRAN PUBLIC", "Company", "we" and "us".

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STAKEHOLDER ENGAGEMENT

Communication with Stakeholders

In order to enhance the transparency of the Company, JINRAN PUBLIC attaches great importance to the communication with stakeholders and continual innovation of ways of communication. It also understands the expectations from stakeholders in detail and responds to demands of stakeholders in a timely manner.

Stakeholders	Expectations and Demands	Ways of Communication
Government	Compliance with laws and regulations Local employment enhancement Promoting local economic development	Attending meetings Statistical statements Daily communication
Shareholder	Reasonable returns compliance operation Corporate governance	Corporate announcements Subject reporting Annual reports
Client	Steady gas supply Strict performance of obligations in accordance with contracts	Daily communication
Employee	Legitimate rights protection Employees' compensation and benefits Employees' training and development	Company's website Labor contracts WeChat platform
Partner	Supplier management Strict performance of obligations in accordance with contracts Win-win cooperation	Fora Daily visiting Seminars Trainings
Environment	Energy saving Maintenance of biodiversity	Publicity of environmental protection Media platform
Community	Communication with communities Charity events in communities Involvement in communities	Company's official website Daily communication On-site participation

Determination of Significant Topics

JINRAN PUBLIC collected the topics concerned by stakeholders through the internet and determined the significant topics on social responsibilities for the current year based on the development strategies and the status quo of operational management of the Company and with reference to intertional standards, including the Environmental, Social and Governance Reporting Guide issued by SEHK and Global Reporting Initiative (GRI) G4 Guideline.

Screening Process of Topics on Environmental, Social and Governance

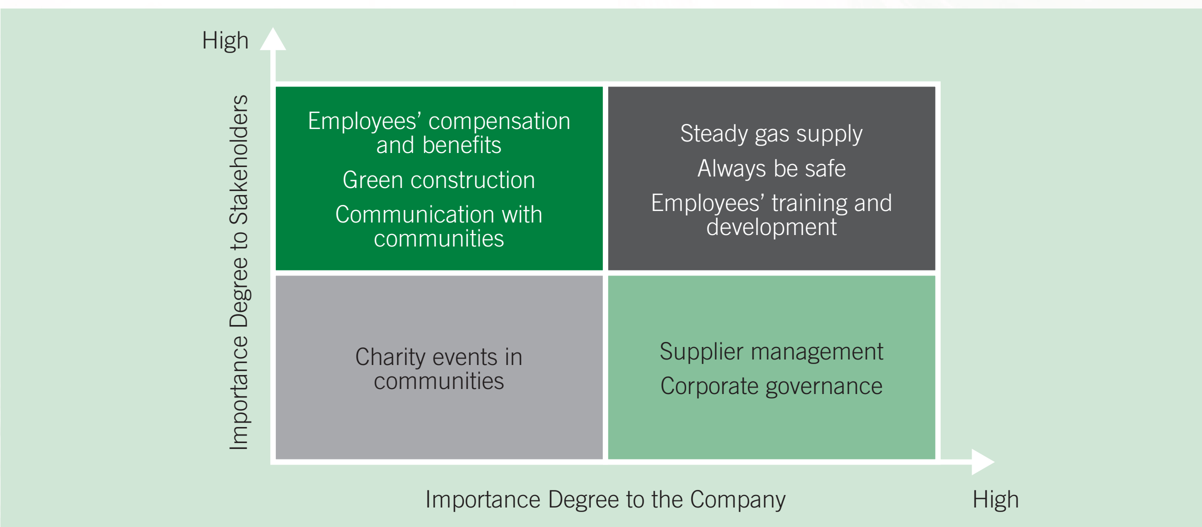
Topic Sources

- Suggestions from the management of the Company
- Analysis and recommendations from internal and external experts
- Analysis on multimedia information
- Benchmarking research on domestic and overseas players in the industry
- Guidance on social responsibility

Screening Criteria

- Contribution to sustainable development
- Common concerns of stakeholders
- Emphasis of Guidance on social responsibility
- Satisfying demands arising from strategic development of the Company

Substantive Screening Results



1. STRENGTHEN THE MANAGEMENT AND GIVE TOP PRIORITY TO SAFETY

Always keeping the warning of "hidden dangers lead to accidents" in mind, Jinran Public has established a precise responsibility system, improved various safety systems and standards, enhanced the safety consciousness of employees and customers, supervised the implementation of various safety management regulations, strengthened the inspection and correction of hidden dangers, and realized the safety objectives of the Company through assessment, reward and punishment. In 2016, the Company increased investment in the equipment safety, publicity & education, and new technology application. The investments amounted to RMB402,131 with an increase of 15% compared with 2015.

1.1 Improvement in safety management

Jinran Public has persistently improved the safety management system, continuously perfected various safety management systems, strengthened the development of emergency management system, and deeply conducted inspection and correction for the production safety, in order to guarantee the safe and orderly production, and prevent the occurrence of accidents.

1.1.1 Systems

The Company has strengthened and improved in the safety management system, gradually perfected the safety management deparments of the Company, and implemented the safety and environmental protection responsibility system in the head office and all the branches, in order to guarantee the production safety with mechanism. The protection system on the safety and environmental protection responsibility system is implemented with clear safety objectives and assessment indexes, providing system guarantee for the implementation of the safety education and training for employees. It has also implemented the appraisal and assessment system for safety inspection, strengthened the safety inspection, perfected the assessment, reward and punishment system, and established and implemented the rectification and emergency system for hidden safety hazards, as well as various special safety management systems, in order to reduce the hidden safety hazards.

1.1.2 Emergency Management

According to the relevant laws and regulations of the state and Tianjin, Jinran Public Utilities has established the production safety accident emergency response plan system, which included comprehensive emergency plans, special emergency plans and on-site disposal plans. The production safety accident emergency response plan system has clearly stipulated the accident risk and the response measures, the organizational structure and the responsibility of the emergency system, the technical prevention and management measures and the disposal of warning action, and has effectively instructed the respective emergency department and staffs to take orderly emergency actions in order to avoid or reduce property damage of the Company or even casualties. Every year, the Company organizes 1 comprehensive emergency drilling, 1 special emergency drilling among branch companies and 2 on-site emergency drillings among groups.

1.1.3 Hidden Danger Identification

Jinran Public has set up a safety production responsibility system with the principle of "joint responsibility between party and government, post responsibility and main responsibility for enterprises", and formed a company-lead group to carry out hidden danger identification and fundamentally remove all kinds of illegal and accidental hidden dangers, improving the management quality of safety operation. The Company has seriously implemented the safety responsibility system and safety management system to ensure a healthy post responsibility system of headquarters with provisions in place. The Company has carried out statistical work of safety investment this year, established the level 3 safety education account and carried out hidden danger grading, improving the hazards monitoring system. The Company has strengthened the hidden danger identification of pipelines in branch companies, implemented emergency drillings and set up a part-time fire mechanism. Meanwhile, apart from three levels of inspections, that is monthly inspection by company leaders, weekly inspection by safety management department and daily inspection by branch companies, the Company insists the safety production inspection system and focuses on the safety supervision inspections during legal public holidays, seasonal inspection and special businesses of user security, ventilation ignition and gas station; carries out the management responsibility system of person responsible and individual responsible, inspects the safety of equipment and deposit of property regularly, plugs the leak in time and removes dangers to safeguard the safety and health of operatives.

1.2 Enhance Safety Awareness

Production safety awareness training is one of the significant measures taken by Jinran Public to prevent gas production and use accidents and to maintain its stable and orderly operation. Jinran Public implemented protection measures of multi-levels for down well staffs. Real-time safety supervision of gas stations were strengthened to efficiently protect operating staffs. Meanwhile, the Company established a complete employee training system. Through participation of training in specialized areas organized by relevant government authorities at the municipal and district levels, Group Corporation offering educational trainings, external experts invited to hold lectures and training of staffs' skills for their respective duties, we formulated training courses in accordance with respective job requirements of staffs, so as to promote their safety awareness, sense of responsibility and professional prevention and safety protection capability. The Company unfolded comprehensive "three-levels" safety education trainings for newly-recruited employees at company, branch (department) and work group (post) levels and set up professional skill training program for each duty. Meanwhile, Jinran Public staff as a whole were arranged to attend annual fire safety and fire safety month training, ensured operators of special type of work to obtain Operator's license for special type of work before assuming the duty. During the year 2016, Jinran Public organized 9 times of training in total, with trainees amounting to 523, which involving 51, 153, 309 and 10 persons (892 till the present) attended professional qualification training, know-how review, underground fire control work and "three-levels" safety education training for newly-recruited employees respectively.

1.3 Guarantee Gas Use Safety

For Jinran Public, as a gas enterprise, to safeguard safety use of gas for both residential and commercial users by eliminating hidden dangers and promoting safety awareness represents an important direction for it to practice social responsibility. Jinran Public strengthened management on the indoor safety inspection conducted by branches. The engineering safety department of the company is in charge of formulating the safety inspection system and relevant operation practices and monitoring safety inspection work. They required inspectors to archive the residential gas users for indoor gas safety management and timely eliminate any hidden danger. The Company has been continuously publicizing the safety use of gas in communities. We communicated and negotiated with property management companies and residential committees for their approval of indoor gas safety inspection which is an effort to deal with hidden dangers in a timely manner and promote public awareness of gas use safety. As of the end of 2016, indoor safety inspection has been extended to 507,279 households in Tianjin.

2. STABILIZE GAS SUPPLY WITH PARTNERS

2.1 Improve service for the convenience of customers

Jinran Public has been committed to stabilizing gas supply and providing satisfactory service. We constantly improve the rules and regulations, standardize and enhance the quality of service, to continually meet customer expectations, providing safe, professional and honest service to customers.

2.1.1 Provide a stable source of gas

As an urban gas supply enterprise, stable supply of gas is the basic service of Jinran Public and also the core carrier of the Company to undertake its social responsibility. The Company continues to improve the construction of pipeline network facilities, strengthen internal safety management, and comprehensively enhance the level of security operation jointly with upstream and downstream partners, so as to provide our customers with stable and reliable gas supply.

2.1.2 Enhance the quality of service

Jinran Public has been providing customized service tailored to the specific requirement of customers to meet their diverse needs. The Company conducts customer satisfaction surveys every year to collect customers' feedback and needs, which are reasonably incorporated into the customer service system, and thus promote the enhancement of customer service level. According to the repair and other issues reflected by customers, the customer service center will arrange a timely visit to track the quality of service, in order to provide high quality service to our customers. For the customer complaints, the Company has developed relevant provisions to standardize the complaint handling mechanism. Customer complaints will be transferred directly to the Company through the customer service center of 津燃華潤 (Tianjin Energy has authorized such customer service center to handle all the Group's gas customer service business). The Group has set up a standardized process for handling the issues in respect of natural gas supply and customer service reflected by customers.

2.1.3 Enhance customer experience

Jinran Public Utilities strives to fulfill customer's needs and provides customers with high quality service experience by continuously improving its service system and broadening its service channels relying on information technology and technological innovation. In order to facilitate the majority of customers to pay gas costs and solve the difficulties in buying gas due to far distance and other issues, the Company has introduced online payment, mobile APP, bank self-service terminals and other means to provide customers with convenient and caring services.

2.2 Suppliers management

Jinran Public Utilities continues to strengthen supplier management and strives to create a sustainable industrial chain by adhering to the principle of "Quality brings safety, Responsibility makes advancement", and promotes a win-win relationship. The Company has built up sound procurement and supplier management systems, which include the "Material procurement management system of Tianjin Jinran Public Utilities Company Limited" for enhancing the scientific management of equipment and materials and ensuring the safety of equipment and materials; and the "Project Tender management system of Tianjin Jinran Public Utilities Company Limited" for regulating the Company's bidding activities to ensure project quality and improve investment returns. The Company has developed an effective supplier access policy to implement a comprehensive review on suppliers' qualification, and give full consideration to the impact on the environment and society caused by the suppliers. The Company will also carry out occasional exchange meetings with suppliers to enhance the communication on both sides, and perform site visits in respect of business qualifications and actual production condition of the suppliers, so as to have a comprehensive understanding of suppliers' information, and make regular updates on and complete our suppliers' database. Further, we require our suppliers to comply with the Company's anti-bribery policy. In 2016, the Company has 11 local suppliers and 7 other regional suppliers.

3. WORK WITH THE SOCIETY TO PROTECT THE ENVIRONMENT

As an outstanding supplier of gas and relevant services in the PRC, Jinran Public is committed to providing safe and reliable products and services including gas, gas connection and gas transportation during which we also put emphasis on environmental protection and improvement. The Company has got the idea of "green" been involved in every component of our business operating, and shared the "green benefits" from energy-saving and emission-reducing with every partner through the industry chain so as to achieve the harmonious development of enterprises and environment.

3.1 Develop Clean Energy

Natural gas is a type of clean energy which is substantially free from sulfur, dust and other harmful substances and will release less carbon dioxide than other fossil fuels during combustion and thus can help bring evident improvement to the environment. In 2016, in Beijing-Hebei-Tianjin region, the government implemented the energy structure adjustment policies primarily through the path of supply-side reform. The Company made active efforts to comply with the relevant government authorities' policy requirements to prohibit and limit the use of high-pollution fuels, leveraging on its business characteristics, continuously supplied clean energy for the cities' development, and proactively promoted the "Gas Replace Coal" project in which a number of corporate users has completed the retrofitting of their furnaces which would use gas instead of coal as the fuel. In 2016, the gas consumption from the finished"Gas Replace Coal" project has reached 40.51 million m^3.

3.2 Green Construction

The Company applied new methods including connection without cutting gas supply[1], rerouting and transformation after cutting gas supply[2] and new model of inspection equipment such as methane detector and laser detector[3] in order to reduce unnecessary natural gas emission. For the purpose of mitigating the damage on plants caused by relevant construction, Jinran Public required its contractors to strictly limit the width of the construction area so as to minimize the use of land resources and damages to the vegetation and it was also required transportation vehicles used in construction should avoid running over the vegetation when practical. After the completion of the work, the Company would require the relevant contractor to backfill the earth previously dug up and retrieve solid waste and domestic garbage on the work site. In addition, the Company was also seriously concerned about the impact of construction on the surrounding communities and required contractors to use silent generators and avoid operating during the night.

3.3 Green Operation

Jinran Public Utilities has consistently applied the idea of "Green Office" in its daily operating and actively promoted the corporate culture of environmental protection, organized the activity of "Improve the Environment and Promote Green Development" and advocated the saving of electricity, water and paper. The Company would choose teleconference and videoconference for its daily meeting when practical so as to reduce travel expenses. In order to minimize the environmental impact of the Company's operation, we disposed of high-emission business-purpose vehicles and purchased formaldehyde free environment-friendly furniture.

4. CARE FOR THE STAFF, CONTRIBUTE TO THE SOCIETY

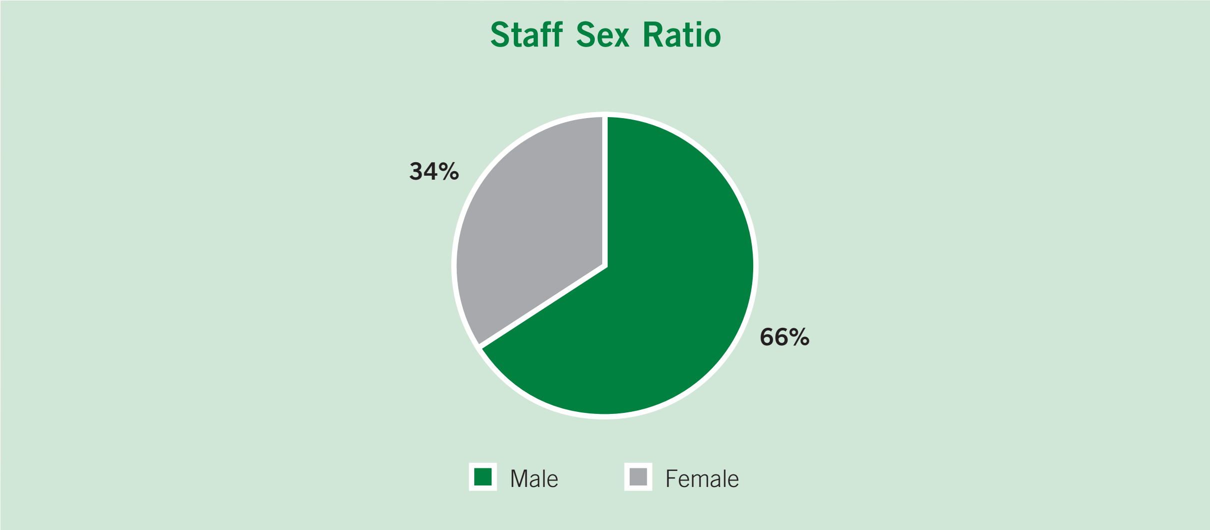
The Company has continuously improved the recruitment system by laws to protect the rights and interests of the staff; strengthened the staff management system to comprehensively promote the growth of the staff; and improved the welfare system of the Company to pay attention to the balance between life and work of the staff, thus providing the staff with a vast space for self-growth.

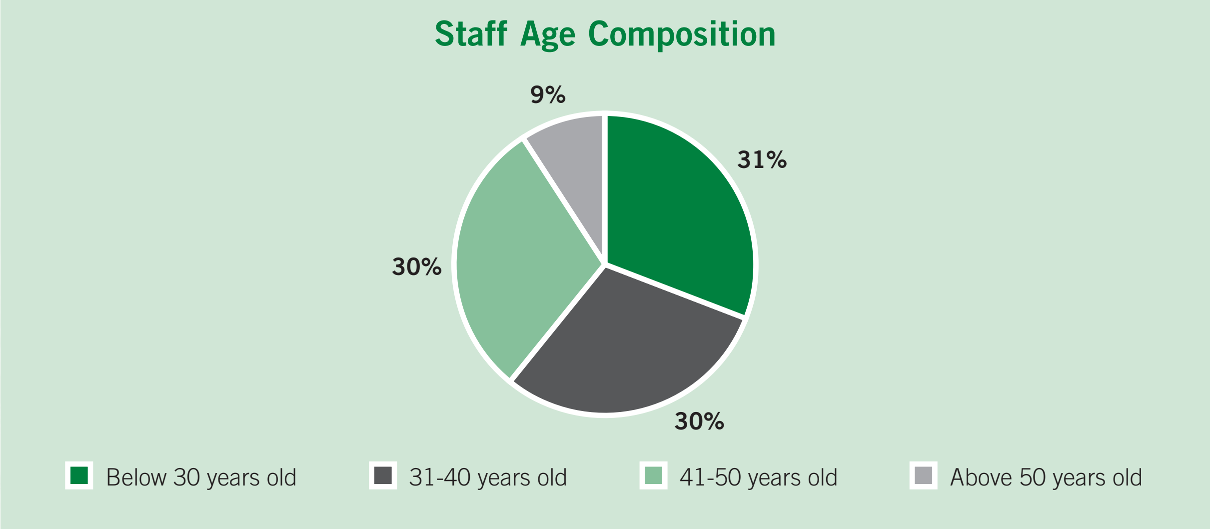
1. Connection without cutting gas supply: drilling holes on the pipelines without suspending gas supply so as to reduce gas emission.
2. Rerouting and transformation after cutting gas supply: If the work requires cutting open the pipeline, prior to cutting the pipeline, the gas supply shall be cut and the residual gas in the pipeline shall be consumed so as to reduce gas emission.
3. Methane detector and laser detector are inspection devices designed to locate leaking points on natural gas pipeline. Methane detector is used to determine whether there exists gas leaking in underground gas pipeline by analyzing suspicious gas composition; laser detector is used to calculate the concentration of the gas in the underground gas pipeline by calculating the content of the combustible ingredient in the air through laser ray reflection. By applying these devices, natural gas leaking points can be accurately determined within a short time so that excessive gas leaking which may be caused by cutting pipelines could be avoided.

4.1 Improve the recruitment management

Strictly abiding by the Labor Contract Law and other various labor laws and regulations of the country, Jinran Public has standardized the employment management to advocate equal employment and refuse to use child labor and forced labor and implemented no difference recruitment system regardless of the candidate's gender, nationality, faith and others in recruitment. In 2016, the total number of employees was 892.

Chart Distribution of Employees





4.2 Optimize the promotion mechanism

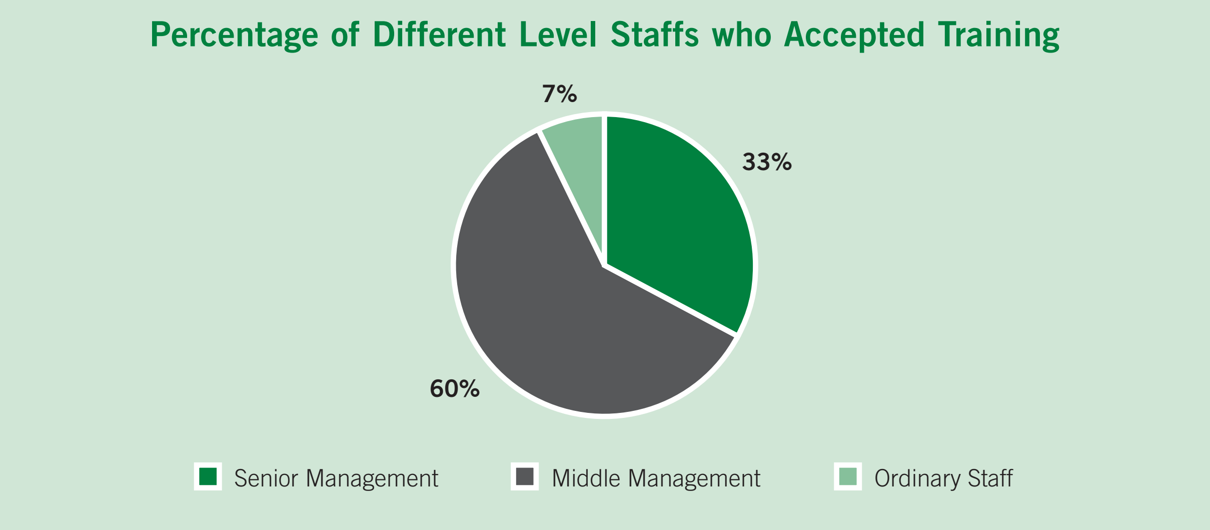
In order to increase the efforts to select the management of the Company to reserve more management personnel for the Company, the Company has developed the Position Competition System of Tianjin Jinran Public Utilities Company Limited and established the position competition office, position competition leading group and other evaluation organizations to facilitate the implementation of the system. The system clarifies the basic conditions of the staff involved in the competition and refines the position competition assessment process, such as democratic evaluation, written examination, talent assessment and interview, to implement a comprehensive assessment mechanism.

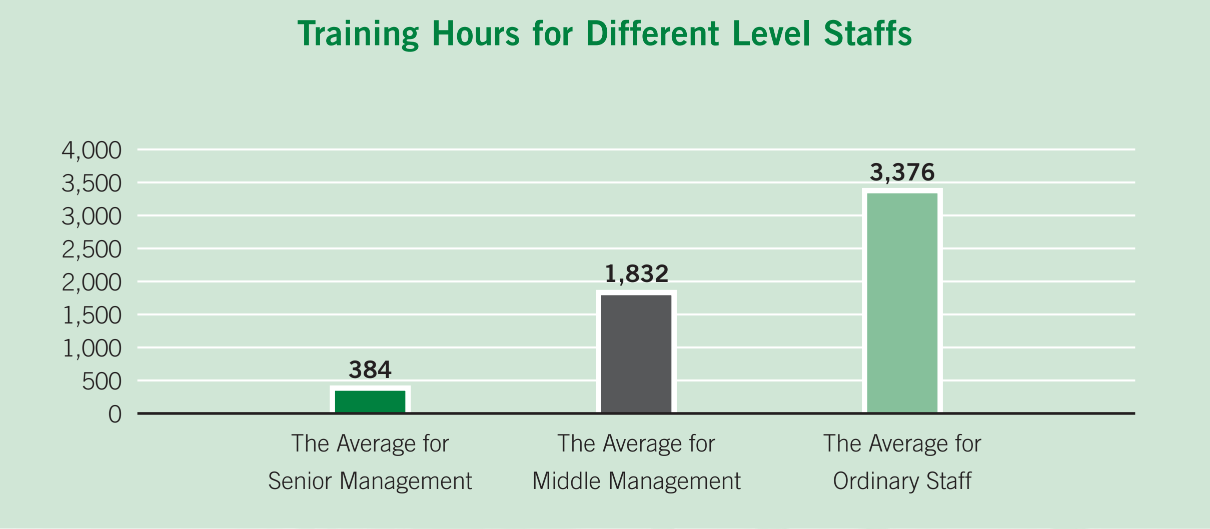
4.3 Strengthen staff training

The Company has formulated the Staff Training and Management System of Tianjin Jinran Public Utilities Company Limited to carry out training work for all departmental staff of the Company with the training principle of "all staff participation, systematization and comprehensiveness". The trainings of the Company include the orientation training, departmental internal training, departmental cross training, general external training, professional external training, short-term education and long-term education, all of which facilitate the all-round development of every employee in the comprehensive quality and professional skills. In addition, the Company has established a strict training and attendance system. Staff not participating in or absent from trainings without any reasons shall be regarded as absenteeism and recorded in the staff assessment file, with the year-end assessment scores reduced.

The Company has developed the Anti-corruption Education System of the Party Branch of Jinran Public Utilities Company and conducted the training semi-annually through the combination of collective learning and self-learning to improve staff's integrity and self-discipline level.

Chart Staff Training at All Levels





4.4 Care for staff life

To promote the happiness and growth of each employee, Jinran Public has developed unified welfare standards and carried out the "sending warmth in winter" activities to send haze masks and insulation cups to the workers on the front line in winter and distribute rice, oil, flour and other necessities of life to workers in difficulties. The Company also conducted the "Ankang Cup" activity and other various cultural and sports activities to balance the work and life of staff. Moreover, the Company has organized the regular physical examination for staff, with particular attention to the physical and mental health of female employees and retired workers by carrying out "March 8 Women's Day" condolences and lectures on health, to advocate positive, green and healthy way of life.

4.5 Participate in community activities

With its own professional advantages, through making full use of various media, platforms, community bulletin boards, electronic screens, live demonstrations, etc., Jinran Public strives for popularizing the gas safety knowledge in and delivering safety concepts to the community and taking practical actions to serve the community and fulfill social responsibilities. Especially, the Company focuses on the publicity of the gas safety knowledge in the communities with security risks, such as rental households, households missing safety inspection, households refusing to be inspected for security and those in difficulty to register the residence.