天津津燃公用事業股份有限公司

TIANJIN JINRAN PUBLIC UTILITIES COMPANY LIMITED

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

Stock Code: 1265

Interim Report

2017

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	NOTES	For the six months ended 30 June **2017** **RMB'000** **(Unaudited)**	 2016 RMB'000 (Unaudited)
Continuing operations			
Revenue	4	**706,512**	602,132
Cost of sales		**(669,216)**	(571,408)
Gross profit		**37,296**	30,724
Other income and gains	4	**14,545**	24,323
Administrative expenses		**(9,434)**	(9,614)
Other expenses		**(280)**	(1,432)
Share of profit and loss of: An associate		**1,547**	4,182
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	5	**43,674**	48,183
Income tax expense	6	**(10,598)**	(11,304)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**33,076**	36,879
Discontinued operations			
Loss for the period from discontinued operations	7	**(1,195)**	(1,166)
PROFIT FOR THE PERIOD		**31,881**	35,713
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**–**	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**31,881**	35,713
Attributable to:			
Owners of the Company		**32,233**	36,055
Non-controlling interests		**(352)**	(342)
		31,881	35,713
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic/Diluted			
For profit for the period		**RMB1.75 cents**	RMB1.97 cents
For profit from continuing operations		**RMB1.80 cents**	RMB2.01 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

	NOTES	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	**853,355**	868,524
Prepaid land lease payments		**11,375**	11,526
Intangible assets		**353**	376
Investment in an associate		**46,960**	45,413
Deferred tax assets		**16,080**	16,394
Prepayment for pipeline reconstruction		**11,523**	11,523
Total non-current assets		**939,646**	953,756
CURRENT ASSETS			
Inventories		**3,554**	3,446
Trade receivables	10	**337,165**	205,763
Prepayments, deposits and other receivables	11	**253,586**	47,710
Available-for-sale investments		**–**	404,181
Cash and cash equivalents	12	**794,363**	741,061
		1,388,668	1,402,161
Assets of a disposal group classified as held for sale	7	**4,778**	5,814
Total current assets		**1,393,446**	1,407,975
CURRENT LIABILITIES			
Trade and bills payables	13	**208,964**	250,226
Other payables and accruals	14	**315,100**	337,373
Dividend payable		**10,975**	10,975
Tax payable		**7,401**	2,937
		542,440	601,511
Liabilities directly associated with the assets classified as held for sale	7	**2,569**	2,570
Total current liabilities		**545,009**	604,081
NET CURRENT ASSETS		**848,437**	803,894
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,788,083**	1,757,650

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

At 30 June 2017

	NOTES	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,788,083**	1,757,650
NON-CURRENT LIABILITIES			
Deferred income	15	**49,151**	50,599
Net assets		**1,738,932**	1,707,051
EQUITY			
Equity attributable to owners of the parent			
Share capital	16	**183,931**	183,931
Share premium and reserves		**1,558,051**	1,525,818
		1,741,982	1,709,749
Non-controlling interests		**(3,050)**	(2,698)
Total equity		**1,738,932**	1,707,051

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	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
For the six months ended 30 June 2017								
At 1 January 2017 (audited)	**183,931**	**788,703**	**77,085**	**33,124**	**626,906**	**1,709,749**	**(2,698)**	**1,707,051**
Profit and total comprehensive income for the period	**–**	**–**	**–**	**–**	**32,233**	**32,233**	**(352)**	**31,881**
Transfer from retained profits	**–**	**–**	**3,696**	**1,848**	**(5,544)**	**–**	**–**	**–**
At 30 June 2017 (unaudited)	**183,931**	**788,703**	**80,781**	**34,972**	**653,595**	**1,741,982**	**(3,050)**	**1,738,932**
For the six months ended 30 June 2016								
At 1 January 2016 (audited)	183,931	788,703	73,416	31,290	594,934	1,672,274	(1,998)	1,670,276
Profit and total comprehensive income for the period	–	–	–	–	36,055	36,055	(342)	35,713
At 30 June 2016 (unaudited)	183,931	788,703	73,416	31,290	630,989	1,708,329	(2,340)	1,705,989

* These reserve accounts comprise the consolidated share premium and reserves of RMB1,558,051,000 (31 December 2016: RMB1,525,818,000) in the consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	For the six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax:		
From continuing operations	**43,674**	48,183
From discontinued operations	**(1,195)**	(1,166)
Adjustments for:		
Share of profit and loss of an associate	**(1,547)**	(4,182)
Interest income	**(9,409)**	(2,042)
Gain on disposal of items of property, plant and equipment	**(17)**	(21)
Impairment loss recognised on the re-measurement to fair value less costs to sell	**1,089**	1,078
Gain on redemption of available-for-sale investments	**(3,826)**	(10,346)
Depreciation	**25,988**	25,131
Amortisation of intangible assets	**23**	23
Amortisation of prepaid lease payments	**151**	160
Government grants credited to profit or loss	**(1,255)**	(1,645)
	53,676	55,173
Decrease/(increase) in inventories	**(108)**	87
Decrease/(increase) in trade receivables	**(131,402)**	99,537
Increase in prepayments, deposits and other receivables	**(827)**	(4,282)
Decrease in trade and bills payables	**(63,729)**	(127,165)
Cash generated from operations	**(142,390)**	23,350
Income tax paid	**(5,821)**	(11,168)
Net cash from/(used in) operating activities	**(148,211)**	12,182

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

For the six months ended 30 June 2017

	For the six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash from/(used in) operating activities	**(148,211)**	12,182
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**9,409**	2,042
Purchases of items of property, plant and equipment	**(10,819)**	(12,223)
Proceeds from disposal of items of property, plant and equipment	**17**	256
Proceeds from the redemption of available-for-sale investments and other investments	**402,975**	–
Purchases of financial products	**(200,000)**	(800,000)
Net cash from/(used in) investing activities	**201,582**	(809,925)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net cash from/(used in) financing activities	**–**	–
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**53,371**	(797,743)
Cash and cash equivalents at 1 January	**742,042**	1,003,727
Cash and cash equivalents at 30 June	**795,413**	205,984
Attributable to:		
Continuing operations	**794,363**	205,353
Disposal group classified as held for sale	**1,050**	631
	795,413	205,984

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

1. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2017 have been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34") *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2016.

2. CHANGES IN THE GROUP'S ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016, except for the adoption of the amendments effective as of 1 January 2017, noted below:

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Annual Improvements Project	*Annual Improvements to HKFRSs 2014-2016 Cycle: Amendments to HKAS 12*

The adoption of the above amendments to existing standards did not have any significant effect on the interim condensed consolidated financial statements or result in any significant changes in the Group's significant accounting policies. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

2. CHANGES IN THE GROUP'S ACCOUNTING POLICIES *(continued)*

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

HKFRS 9	*Financial Instruments*[1]
HKFRS 15	*Revenue from Contracts with Customers*[1]
HKFRS 16	*Leases*[2]
HK (IFRIC) Interpretation 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK (IFRIC) Interpretation 23	*Uncertainty over Income Tax Treatments*[2]
Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1]
Annual Improvements Project	*Annual Improvements to HKFRSs 2014-2016 Cycle: Amendments to HFRS 1 and HKAS 28*[1]
Amendments to HKAS 40	*Transfers of Investment Property*[1]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019

3. 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.

For the six months ended 30 June 2017	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	662,638	31,838	5,434	6,602	706,512
Segment results	15,016	17,814	2,171	2,295	37,296
Reconciliation:					
Share of profit and loss of an associate					1,547
Other income and gains					14,545
Other expenses					(280)
Corporate and other unallocated expenses					(9,434)
Profit before tax from continuing operations					43,674

3. OPERATING SEGMENT INFORMATION *(continued)*

For the six months ended 30 June 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	526,044	68,287	2,567	5,234	602,132
Segment results	(5,711)	35,444	(676)	1,667	30,724
Reconciliation:					
Share of profit and loss of an associate					4,182
Other income and gains					24,323
Other expenses					(1,432)
Corporate and other unallocated expenses					(9,614)
Profit before tax from continuing operations					48,183

4. REVENUE, OTHER INCOME AND GAINS

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

	For the six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue:		
Sales of piped gas	**662,638**	526,044
Gas connection income	**31,838**	68,287
Gas transportation income	**5,434**	2,567
Sales of gas appliances	**6,602**	5,234
	706,512	602,132
Other Income:		
Bank interest income	**9,409**	2,042
Value added tax refund	**38**	568
	9,447	2,610
Gains:		
Net gain on disposal of items of property, plant and equipment	**17**	21
Gain on redemption of available-for-sale investments	**3,826**	10,346
Government grants	**1,255**	11,092
Others	**–**	254
	5,098	21,713
	14,545	24,323

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of gas purchased	**574,356**	455,945
Cost of services provided	**13,636**	30,960
Depreciation	**25,988**	25,385
Amortisation of intangible assets	**23**	23
Amortisation of prepaid land lease payments	**151**	160
Minimum lease payments under operating leases	**–**	459
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	**40,143**	39,506
Retirement benefit scheme contributions	**7,275**	7,183
Welfare, labour union and others	**1,499**	649
	48,917	47,338

6. INCOME TAX

Income tax has been provided at the rate of 25% on the estimated assessable profits arising in Mainland China during the six months ended 30 June 2017 and 2016.

	For the six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax – Mainland	**10,284**	11,166
Deferred income tax	**314**	138
	10,598	11,304

7. DISCONTINUED OPERATION AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 23 June 2014, the Company announced the decision of its board of directors to dispose of its equity interest of 88% in 貴州津維礦業投資有限公司 ("貴州津維"). 貴州津維 owns a 70% equity interest in 貴州省台江縣國新鉛鋅選礦有限責任公司 ("貴州國新") which owns 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 period ended 30 June 2017. 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.

7. DISCONTINUED OPERATION AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE *(continued)*

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 operations for the six months ended 30 June 2017 and the year ended 31 December 2016. As at 30 June 2017 and 31 December 2016, 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.

For the six months ended 30 June 2017, impairment losses of RMB708,000 (six months ended 30 June 2016: RMB618,000) and RMB381,000 (six months ended 30 June 2016: RMB460,000) 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 their estimated fair value less costs to sell. The fair value less cost of disposal is based on offers received available near the reporting date as well as recent sales of similar mining rights, and is therefore within level 3 of the fair value hierarchy.

As at 30 June 2017 and 31 December 2016, 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.

7. DISCONTINUED OPERATION AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE *(continued)*

The results of 貴州津維 and 貴州國新 during the six months ended 30 June 2017 and 2016 are presented below:

	For the six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue	**–**	–
Expenses	**(106)**	(88)
Loss from the discontinued operation	**(106)**	(88)
Loss recognised on the re-measurement to fair value	**(1,089)**	(1,078)
Loss before tax from the discontinued operation	**(1,195)**	(1,166)
Income tax	**–**	–
Loss for the period from the discontinued operation	**(1,195)**	(1,166)

7. DISCONTINUED OPERATION AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE *(continued)*

The major classes of assets and liabilities of 貴州津維 and 貴州國新 classified as held for sale as at 30 June 2017 and 31 December 2016 are as follows:

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Assets		
Other property, plant and equipment	**2,056**	2,438
Mining rights	**1,416**	2,123
Prepayments, deposits and other receivables	**256**	272
Cash and short term deposits	**1,050**	981
Assets classified as held for sale	**4,778**	5,814
Liabilities		
Trade payables, other payables and accruals	**(2,569)**	(2,570)
Liabilities directly associated with assets classified as held for sale	**(2,569)**	(2,570)
Net assets directly associated with the disposal group	**2,209**	3,244

7. DISCONTINUED OPERATION AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE *(continued)*

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

	For the six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Operating activities	**69**	(87)
Investing activities	**–**	–
Financing activities	**–**	–
Net cash inflow	**69**	(87)
Loss per share		
Basic, from the discontinued operations	**RMB(0.05 cents)**	RMB(0.04 cents)

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

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Loss attributable to ordinary equity holders of the parent from the discontinued operations (RMB'000)	**(843)**	(824)
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation (note 8)	**1,839,307,800**	1,839,307,800

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

The calculation of the basic earnings per share amount is based on the profit for the six months ended 30 June 2017 attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,839,307,800 (six months ended 30 June 2016: 1,839,307,800) in issue during the period.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2017 and 2016.

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

	For the six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:		
From continuing operations	**33,076**	36,879
From discontinued operations	**(843)**	(824)
	32,233	36,055

	Number of shares For the six months ended 30 June	
	2017	2016
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**1,839,307,800**	1,839,307,800

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group purchased items of property, plant and equipment of approximately RMB10,819,000 (six months ended 30 June 2016: RMB12,478,000).

During the same period, the Group disposed of items of property, plant and equipment with an aggregate carrying amount of approximately RMB500 (six months ended 30 June 2016: RMB235,000) to third parties, resulting in a gain on disposal of approximately RMB17,000 (six months ended 30 June 2016: RMB21,000).

During the same period, no impairment loss (six months ended 30 June 2016: RMB1,000,000) has been recognised to write down the net book value of pipelines in reconstruction projects. The reconstruction projects were to replace certain existing old pipelines, whose net book values were negligible, with new pipelines.

10. TRADE RECEIVABLES

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Trade receivables	**167,485**	187,292
Notes receivable	**180,157**	28,948
Impairment	**(10,477)**	(10,477)
	337,165	205,763

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.

10. TRADE RECEIVABLES *(continued)*

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:

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Within 3 months	**167,142**	183,645
3 to 6 months	**109,920**	10,611
6 to 9 months	**54,191**	765
9 to 12 months	**12**	4,966
Over 1 year	**5,900**	5,776
	337,165	205,763

Included in the Group's trade receivables are amounts due from its joint ventures of the holding company 天津市燃氣集團有限公司 ("Tianjin Gas") and fellow subsidiaries of RMB3,926,000 (31 December 2016: RMB880,000) and RMB22,832,000 (31 December 2016: RMB13,065,000), respectively, which are repayable on credit terms similar to those offered to the major customers of the Group.

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Prepayments	**27,773**	22,712
Deposits and other receivables	**216,713**	9,419
Value added tax input	**11,083**	17,562
Current portion of prepaid land lease payments	**302**	302
Less: impairment loss recognised	**(2,285)**	(2,285)
	253,586	47,710

Included in the Group's prepayments, deposits and other receivables are amounts due from fellow subsidiaries of RMB6,024,000 (31 December 2016: RMB8,008,000), which are repayable on credit terms similar to those offered to the major customers of the Group.

12. CASH AND CASH EQUIVALENTS

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Cash and bank balances	**194,363**	222,061
Time deposits	**600,000**	519,000
Cash and cash equivalents	**794,363**	741,061

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

13. 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:

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Within 3 months	**163,438**	205,849
3 to 6 months	**498**	241
6 to 9 months	**26,756**	14,731
9 to 12 months	**80**	4,457
Over 1 year	**18,192**	24,948
Cash and cash equivalents	**208,964**	250,226

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 RMB133,133,000 (31 December 2016: RMB153,505,000) and RMB12,349,000 (31 December 2016: RMB11,645,000), respectively. These balances are unsecured, interest-free and have no fixed terms of repayment.

14. OTHER PAYABLES AND ACCRUALS

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Advances from customers	**283,382**	277,073
Value added tax payable and other tax payables	**17,588**	27,555
Accrued staff costs and pension	**5,687**	21,743
Accrued expense	**6,036**	8,788
Deferred income (note 15)	**2,407**	2,214
	315,100	337,373

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

Included in the Group's advances from customers are amounts due to fellow subsidiaries of RMB2,465,000 (31 December 2016: RMB2,634,000). Included in the Group's accrued expense are amounts due to a joint venture of Tianjin Gas and fellow subsidiaries of RMB2,190,000 (31 December 2016: RMB2,190,000) and nil (31 December 2016: RMB498,000), respectively. These balances are unsecured, interest-free and have no fixed terms of repayment.

15. DEFERRED INCOME

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Government grants		
At 1 January	**52,813**	37,071
Received during the period/year	**–**	18,480
Recognised as income	**(1,255)**	(2,738)
	51,558	52,813
Portion classified as current liabilities (note 14)	**(2,407)**	(2,214)
Non-current portion	**49,151**	50,599

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.

16. SHARE CAPITAL

Shares

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Issued and fully paid: 1,839,307,800 (31 December 2016: 1,839,307,800) ordinary shares	**183,931**	183,931

16. SHARE CAPITAL *(continued)*

Shares *(continued)*

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

	Number of shares in issue	Share capital RMB'000
At 31 December 2016 and 1 January 2017	1,839,307,800	183,931
At 30 June 2017	**1,839,307,800**	**183,931**

17. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its pipelines under operating lease arrangements, with leases negotiated for terms of 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 30 June 2017, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Within one year	**6,000**	6,000
In the second to fifth years, inclusive	**5,000**	8,000
	11,000	14,000

17. 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 30 June 2017, the Group had total future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Within one year	**7**	17
	7	17

18. COMMITMENTS

In addition to the operating lease commitments detailed in note 17(b) above, the Group had the following capital commitments at the end of the reporting period:

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Contracted, but not provided for:		
Plant and machinery	**805**	805
	805	805

19. 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 reporting periods:

	NOTES	For the six months ended 30 June **2017** **RMB'000** **(Unaudited)**	 2016 RMB'000 (Unaudited)
Tianjin Gas:			
Rental expenses		**–**	327
Property management fee		**–**	140
Joint venture of Tianjin Gas:			
Purchase of piped gas	(i)	**572,244**	454,692
Gas transportation income		**2,731**	1,567
Entrustment fee		**–**	–
Fellow subsidiaries:			
Sales of gas	(ii)	**86,574**	82,301
Gas transportation income		**2,703**	1,000
Purchase of gas meters	(iii)	**3,643**	2,823
Installation services of gas meters		**1,226**	1,261
Construction design fee		**341**	1,200
Gas connection service fee		**603**	–
Purchase of equipment		**–**	229
Purchase of card readers and internet service		**81**	–
Supervision fee		**–**	63

19. RELATED PARTY TRANSACTIONS *(continued)*

(a) *(continued)*

Notes:

(i) The Company purchases piped gas from 津燃華潤燃氣集團有限公司 ("Jinran Gas"), 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.

(b) 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 10, 11, 13 and 14 to the consolidated financial statements.

19. RELATED PARTY TRANSACTIONS *(continued)*

(c) Other transactions with related parties:

In 2014, the 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. The Tianjin Government has assigned and hence the Group has entrusted Jinran Gas to manage and execute the reconstruction projects of the Group. As of 30 June 2017, 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 Jinran Gas 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 30 June 2017 and will be recorded as a long-term asset when the construction is completed.

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

	For the six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short term employee benefits	**683**	582
Post-employment benefits	**36**	71
Total compensation paid to key management personnel	**719**	653

20. 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:

As at 30 June 2017

Financial assets

	Loans and receivables RMB'000 (Unaudited)	Available-for-sale financial assets RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Available-for-sale investments	–	–	–
Trade receivables	337,165	–	337,165
Financial assets included in prepayments, deposits and other receivables (note 11)	214,428	–	214,428
Cash and cash equivalents	794,363	–	794,363
	1,345,956	–	1,345,956

Financial liabilities

	Financial liabilities at amortised cost RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Trade and bills payables	208,964	208,964
Financial liabilities included in other payables and accruals (note 14)	6,036	6,036
	215,000	215,000

20. 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)*

As at 31 December 2016

Financial assets

	Loans and receivables RMB'000 (Audited)	Available-for-sale financial assets RMB'000 (Audited)	Total RMB'000 (Audited)
Available-for-sale investments	–	404,181	404,181
Trade receivables	205,763	–	205,763
Financial assets included in prepayments, deposits and other receivables (note 11)	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 (Audited)	Total RMB'000 (Audited)
Trade and bills payables	250,226	250,226
Financial liabilities included in other payables and accruals (note 14)	8,788	8,788
	259,014	259,014

21. 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	
	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)	**30 June 2017 RMB'000 (Unaudited)**	31 December 2016 RMB'000 (Audited)
Financial assets				
Available-for-sale investments	–	404,181	–	404,181

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.

21. 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 30 June 2017

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

As at 31 December 2016

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

22. EVENT AFTER THE REPORTING PERIOD

In August 2017, the Company entered into a wealth management agreement with Agricultural Bank of China for the subscription of financial product with the subscription amount of RMB200 million.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 June 2017 (the "Period"), in order to maintain the sustainable development of the Group, the Board and the management have committed to, on one hand, developing new markets, and as the consumption of original users decreases, explore new gas users and, on the other hand, enhancing internal control and cost management, as well as taking the initiative to optimize its management in business development, daily operations and compliance matters.

FINANCIAL REVIEW

For the Period, the Group reported a revenue of approximately RMB706,512,000, representing an increase of approximately 17.34% as compared with the corresponding period of last year. The gross profit margin increased from approximately 5.1% for the six months ended 30 June 2016 to approximately 5.28% for the Period. The profit for the Period and total comprehensive income for the Period attributable to owners of the Company amounted to approximately RMB32,233,000 (For the six months ended 30 June 2016: approximately RMB36,055,000) representing a decrease of approximately 10.60%.

The decline in financial performance of the Group was mainly attributable to a decrease in gas connection income due to the National Games hold in Tianjin which lead to partial postponed provision of piped gas connection services. In the second half of the year, the Company will further enhance market expansion efforts, seize the opportunity of the shift from coal to gas, and explore profit growth points.

Segmental Information Analysis

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

Liquidity, Financial Resources and Capital Structure

The Group is generally funded by equity financing. As at 30 June 2017, the Group did not have any bank borrowing.

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

The Group's gearing ratio (total liabilities to total asset rate) as at 30 June 2017 was approximately 25.47%.

Contingent Liabilities

As at 30 June 2017, the Group had no material contingent liabilities or guarantees.

Staff and Emolument Policy

As at 30 June 2017, the Group had a workforce of 884 full-time employees.

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

DIVIDEND

No dividends were declared or proposed during the Period. The Directors do not recommend an interim dividend for the six months ended 30 June 2017.

PROSPECTS

Development of the PRC Gas Sector

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

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

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

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

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

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

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

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

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

As at 30 June 2017, the interests and short positions of the Directors, chief executives and supervisors (the "Supervisors") of the Company in the shares of the Company (the "Shares"), underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the required standard of dealings by Directors and Supervisors as referred to in Appendix 10 to the Listing Rule to be notified to the Company and the Stock Exchange were as follows:

Long position

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

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

Save as disclosed in the above paragraph, as at 30 June 2017, none of the Directors, chief executives and Supervisors of the Company had interests or short positions in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the required standard of dealings by Directors and Supervisors as referred to in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange.

Substantial Shareholders and Other Shareholders

So far as known to the Directors, as at 30 June 2017, the following persons, not being a Director, chief executive or Supervisor of the Company, had interests or short positions in the Shares, underlying Shares and debentures of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and required to be recorded in the register kept by the Company pursuant to section 336 of the SFO.

Substantial Shareholders

Long position

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

Name of Shareholder	Capacity	Number of Domestic Shares held	Approximate percentage of interests in the Company/ Domestic Shares of the Company
Tianjin Gas	Beneficial owner	1,297,547,800	70.545%/96.886%
Tianjin Energy Investment Company Limited ("Tianjin Energy") (Note 1) 天津能源投資集團有限公司	Interest of a controlled corporation	1,297,547,800	70.545%/96.886%

Note:

1. Tianjin Energy is the intermediary holding company of Tianjin Gas. Therefore Tianjin Energy is deemed, or taken to be interested in all the Domestic Shares beneficially held by Tianjin Gas for the purpose of the SFO.

Other Shareholders

Long position

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

Name of Shareholder	Capacity	Number of H Shares held	Approximate percentage of interests in the Company/ H Shares of the Company
Liu Hei Wan	Interests held jointly with another person (note 1)	14,500,000	0.79%/2.90%
	Held by controlled corporation (note 2)	30,000,000	1.63%/6.00%
Law Suet Yi	Interests held jointly with another person (note 1)	14,500,000	0.79%/2.90%
	Interest of spouse (note 3)	30,000,000	1.63%/6.00%
The Waterfront Development Group Limited	Beneficial owner (note 2)	30,000,000	1.63%/6.00%

Notes:

1. As at 30 June 2017, Mr. Liu Hei Wan and Ms. Law Suet Yi jointly held the 14,500,000 H Shares of the Company.

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

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

Save as disclosed above, as at 30 June 2017, the Directors are not aware of any person, not being a Director, chief executive or Supervisor of the Company, who had interests or short positions in the Shares, underlying Shares and debentures of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and required to be recorded in the register kept by the Company pursuant to section 336 of the SFO.

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

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

Directors' Interests in Contracts

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

Corporate Governance

For the Period, the Company complied with all the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules.

Arrangements to Purchase Shares or Debentures

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

Code of Conduct Regarding Securities Transactions by Directors

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

AUDIT COMMITTEE

The Board established an audit committee (the "Audit Committee") on 3 December 2003 with written terms of reference in compliance with the Listing Rules. The primary duties of the Audit Committee are to review and to provide supervision over the financial reporting system and risk management and internal control systems of the Group. During the Period, the Audit Committee comprised three independent non-executive Directors, namely Mr. Guo Jia Li, Mr. Zhang Ying Hua and Mr. Yu Jian Jun. The Audit Committee has reviewed the unaudited interim results for the Period.

SIGNIFICANT EVENTS

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 Fixed-term 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.

SUBSEQUENT EVENTS

Subscription of Wealth Management Products

On 21 August 2017, the Company entered into a wealth management agreement with Agricultural Bank of China (the "Agricultural Bank of China Wealth Management Agreement") to subscribe for the 中國農業銀行「本利豐」定向人民幣理財產品 (Agricultural Bank of China "Benlifeng" oriented RMB Wealth Management Product*) in the subscription amount of RMB200 million (equivalent to approximately HK$234 million as at 21 August 2017).

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

For details of the transaction, please refer to the announcement of the Company dated 21 August 2017.

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

Tianjin, PRC, 23 August 2017

* *for identification purpose only*