天津天聯公用事業股份有限公司

TIANJIN TIANLIAN PUBLIC UTILITIES COMPANY LIMITED

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

Stock Code: 8290

2008

Interim Report

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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This report, for which the directors (the "Directors") of Tianjin Tianlian Public Utilities Company Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:— (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

Highlights

- Revenue of approximately RMB52,329,000 for the six months ended 30 June 2008.
- Gross profit of approximately RMB21,231,000 for the six months ended 30 June 2008.
- Net profit of approximately RMB6,013,000 for the six months ended 30 June 2008.

Results

The board of directors (the "Board") of Tianjin Tianlian Public Utilities Company Limited (the "Company") is pleased to present the unaudited results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2008 together with the unaudited comparative figures for the six months ended 30 June 2007 as follows:

Condensed Consolidated Income Statement

For the six months ended 30 June 2008

	NOTES	**Three months ended 30 June 2008 RMB'000 (unaudited)**	Three months ended 30 June 2007 RMB'000 (unaudited) (restated)	**Six months ended 30 June 2008 RMB'000 (unaudited)**	Six months ended 30 June 2007 RMB'000 (unaudited) (restated)
Revenue	4 & 5	**20,643**	35,254	**52,329**	51,914
Cost of sales		**(13,003)**	(14,884)	**(31,098)**	(27,873)
Gross profit		**7,640**	20,370	**21,231**	24,041
Other income	6	**3,391**	85	**4,565**	457
Selling expenses		**(13)**	(6)	**(20)**	(14)
Administrative expenses		**(10,905)**	(4,349)	**(15,973)**	(6,660)
Finance costs	7	**(566)**	(678)	**(1,114)**	(1,198)
(Loss) Profit before tax	8	**(453)**	15,422	**8,689**	16,626
Income tax expense	9	**(103)**	(5,226)	**(2,676)**	(5,778)
(Loss) Profit for the period		**(556)**	10,196	**6,013**	10,848
Attributable to:					
Equity holders of the parent		**(556)**	10,196	**6,013**	10,848
(Loss) Earnings per share					
— basic (RMB cent)	3 & 11	**(0.05)**	1.02	**0.55**	1.09

Condensed Consolidated Balance Sheet

As at 30 June 2008

	NOTES	**30 June 2008 RMB'000 (unaudited)**	31 December 2007 RMB'000 (audited) (restated)
Non-current assets			
Property, plant and equipment	12	**53,304**	52,841
Prepaid lease payments	13	**5,245**	5,315
Intangible assets	14	**122,879**	120,233
Contract work in progress		**12,451**	12,241
Prepayment		**121**	134
		194,000	190,764
Current assets			
Inventories		**860**	978
Trade receivables	15	**68,195**	91,505
Held for trading investments		**272**	—
Deposits, prepayments and other receivables		**4,051**	5,931
Amount due from a shareholder	21	**2,061**	11,230
Amount due from a related party	21	**96**	—
Income tax recoverable		**543**	—
Bank balances and cash		**352,835**	69,952
		428,913	179,596
Current liabilities			
Trade and other payables	16	**57,256**	35,161
Income tax payable		**—**	26,608
Bank loans	17	**30,000**	30,000
Amount due to a related party	21	**—**	496
		87,256	92,265

	NOTES	30 June 2008 RMB'000 (unaudited)	31 December 2007 RMB'000 (audited) (restated)
Net current assets		**341,657**	87,331
Total assets less current liabilities		**535,657**	278,095
Capital and reserves			
Share capital	18	**114,960**	99,500
Share Premium and Reserves		**420,017**	177,999
Total equity		**534,977**	277,499
Non-current liabilities			
Deferred tax liabilities	19	**680**	596
		535,657	278,095

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2008

	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000	Enterprise expansion fund RMB'000	Accumulated profit RMB'000	Total equity RMB'000
At 1 January, 2007 (audited)	99,500	31,667	10,837	—	73,160	215,164
Profit for the period and total recognized income for the period	—	—	—	—	10,848	10,848
At 30 June 2007 (restated)	99,500	31,667	10,837	—	84,008	226,012
Profit for the period and total recognized income for the period	—	—	—	—	51,487	51,487
At 31 December 2007 (audited)	99,500	31,667	10,837	—	135,495	277,499
Profit for the period and total recognized income for the period	—	—	—	—	6,013	6,013
Issue of H Shares (note)	15,460	249,464	—	—	—	264,924
Shares issue expenses	—	(13,459)	—	—	—	(13,459)
Appropriation	—	—	6,143	3,072	(9,215)	—
At 30 June 2008 (unaudited)	114,960	267,672	16,980	3,072	132,293	534,977

Note:

On 3 February 2008, the Company obtained a consent from the China Securities Regulatory Commission (the "CSRC") to issue new H Shares and also to apply for the listing of those H Shares on the Growth Enterprises Market (the "GEM Board") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Subsequently, the Company issued 154,600,000 new H Shares and converted 15,460,000 Domestic Shares into H Shares for placing and the above H Shares were listed on the GEM Board of the Stock Exchange with effect from 13 March 2008.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2008

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
	(unaudited)	(unaudited)
		(restated)
Operating activities		
Net cash from operating activities	**32,690**	6,284
Investing activities		
Net cash used in investing activities	**(1,272)**	(119)
Financing activities		
New bank loan raised	**30,000**	40,000
Repayment of a bank loan	**(30,000)**	(30,000)
Proceeds on issue of H Shares	**264,924**	—
Share issue expenses	**(13,459)**	—
Net cash from financing activities	**251,465**	10,000
Net increase in cash and cash equivalents	**282,883**	16,165
Cash and cash equivalents at 1 January	**69,952**	31,531
Cash and cash equivalents at 30 June	**352,835**	47,696
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**352,835**	47,696

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2008

1. GENERAL

The Company was established at 55 Hei Niucheng Road Hexi District,Tianjin, the People's Republic of China (the "PRC") as a joint stock limited company. The Company's overseas-listed foreign shares ("H Shares") were listed on the Growth Enterprises Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 9 January 2004. In June 2007, the Company transformed to a foreign invested joint stock limited Company.

The principal activities of the Company are the operation and management of gas pipeline infrastructure and the sale and distribution of piped gas. The subsidiaries are dormant during the period.

2. BASIS OF PREPARATION

The condensed consolidated financial statement have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Rules") applicable to interim periods and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the annual consolidated financial statements for the year ended 31 December 2007 except as described below.

In the current interim period, the Group has applied, for the first time, the following new interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning on 1 January 2008.

HK(IFRIC)-Int 11	HKFRS 2 : Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangement
HK(IFRIC)-Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of these new interpretations, other than HK (IFRIC) — Int 12, which are detailed as below, had no material effect on the results or financial position for the current or prior accounting periods.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Service concession arrangements

In the current period, the Group has applied HK(IFRIC) — Int 12 Service Concession Arrangements which is effective for annual periods beginning on or after 1 January 2008.

The Group as gas supply operator has access to operate the gas pipeline infrastructure to provide public service on behalf of the grantor in accordance with the terms specified in the service concession arrangement contract and also carry out gas connection work to the public.

HK(IFRIC) — Int 12 "Service Concession Arrangements" provides guidance on the accounting by the operator of a service concession arrangement which involved the provision of public sector services.

In prior periods, the Group's gas pipeline infrastructure, which includes construction costs incurred on gas pipeline infrastructure work, were recorded as property, plant and equipment and were stated at cost less accumulated depreciation and impairment losses. Depreciation of the gas pipeline infrastructure was calculated to write off their cost over their expected useful lives or the remaining concession period, whichever was shorter, commencing from the date of commencement of commercial operation of the gas pipelines infrastructure, on a straight-line basis.

In accordance with HK (IFRIC) — Int 12, infrastructure within the scope of this interpretation is not recognized as property, plant and equipment of the operator as the contractual service arrangement does not convey the right to control the use of the public service infrastructure to the operator. If the operator provides construction and upgrade services of the infrastructure, this interpretation requires the operator to account for its revenue and costs in accordance with HKAS 11 "Construction Contracts" for the construction and upgrade services of the infrastructure and to account for the fair value of the consideration received and receivable for the construction and upgrade services as an intangible asset in accordance with HKAS 38 ''Intangible Assets" to the extent that the operator receives a right (a licence) to charge users of the public service, which amounts are contingent on the extent that the public uses the service. In addition, the operator accounts for the services in relation to the operation of the gas pipeline infrastructure in accordance with HKAS 18 Revenue.

For the annual period beginning 1 January, 2008, the Group has applied this interpretation retrospectively and the financial impact on application of this interpretation is summarized below.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effect of changes in accounting policies described above on the results for the current and prior period by line items presented according to their function are as follows:

	Three months ended 30 June		Six months ended 30 June	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Increase in revenue on construction	**2,376**	—	**5,461**	2,376
Increase in construction cost	**(2,160)**	—	**(4,965)**	(2,160)
Decrease in depreciation expense	**1,314**	1,343	**2,603**	2,641
Increase in amortisation expense	**(1,315)**	(1,343)	**(2,606)**	(2,641)
Increase in deferred tax expense	**(54)**	—	**(96)**	(54)
Increase in (loss) profit for the period	**161**	—	**397**	162

The cumulative effect of the application of the new interpretation as at 31 December 2007 is summarized below:

	As at 31 December 2007 (originally stated) RMB'000	**Adjustments** RMB'000	**As at 31 December 2007** (restated) RMB'000
Balance sheet items			
Property, plant and equipment	184,787	(131,946)	52,841
Intangible assets	—	120,233	120,233
Contract work in progress	—	12,241	12,241
Total effects on assets	184,787	528	185,315
Deferred tax liabilities and total effects on liabilities	464	132	596
Retained profits, total effect on equity	135,099	396	135,495

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES (Continued)

The effects of the application of the new interpretation on the Group's basic (loss) earnings per share for the prior period:

Impact on basic (loss) earnings per share

	Three months ended 30 June 2007 RMB cent	**Six months ended 30 June** 2007 RMB cent
Reported figures before adjustments	1.02	1.07
Adjustments arising from changes in accounting policies	—	0.02
Restated	1.02	1.09

The Group has not early applied the following new standards or interpretations that have been issued but are not yet effective.

HKAS 1(Revised)	Presentation of Financial Statements [1]
HKAS 23(Revised)	Borrowing Costs [1]
HKAS 27(Revised)	Consolidated and Separate Financial Statements [2]
HKAS 32 & 1 (Amendment)	Puttable Financial Instruments and Obligations Arising on Liquidation [1]
HKFRS 2(Amendment)	Vesting Conditions and Cancellation [1]
HKFRS 3(Revised)	Business Combinations [2]
HKFRS 8	Operating Segments [1]
HK(IFRIC)-Int 13	Customer Loyalty Programmes [3]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 July 2009
[3] Effective for annual periods beginning on or after 1 July 2008

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period, beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new or revised standards and interpretations will have no material impact on the results and the financial position of the Group.

4. REVENUE

Revenue represents revenue from gas connection contracts, net of business and related tax and surcharges, from the sales of gas and gas appliances, net of value added tax and from construction of gas pipeline infrastructure during the period.

5. SEGMENT INFORMATION

Business segments

For management purposes, the Group is currently divided into three divisions, namely gas connection, sales of piped gas and sales of gas appliances. These divisions are the basis on which the Group reports its primary segment information.

Due to the adoption of HK(IFRIC) — Int 12, the Group is further divided on additional division to account for income from construction of gas pipeline infrastructure.

Segment information about these businesses is presented below:

Three-months ended 30 June 2008

	Gas Connection RMB'000	Construction of gas pipeline infrastructure RMB'000	Sales of piped gas RMB'000	Sales of gas appliances RMB'000	Consolidated RMB'000
Revenue	9,860	2,376	7,892	515	20,643
Segment result before depreciation/amortisation	7,607	216	1,395	37	9,255
Depreciation/amortisation	—	—	(1,508)	—	(1,508)
Segment result	7,607	216	(113)	37	7,747
Unallocated other income					3,391
Unallocated corporate expenses					(11,025)
Finance costs					(566)
Loss before tax					(453)
Income tax expense					(103)
Loss for the period					(556)

5. SEGMENT INFORMATION (Continued)

***Business segments** (Continued)*

Six-months ended 30 June 2008

	Gas Connection RMB'000	Construction of gas pipeline infrastructure RMB'000	Sales of piped gas RMB'000	Sales of gas appliances RMB'000	Consolidated RMB'000
Revenue	28,528	5,461	17,812	528	52,329
Segment result before depreciation/amortization	21,118	496	2,785	39	24,438
Depreciation/amortization	—	—	(2,993)	—	(2,993)
Segment result	21,118	496	(208)	39	21,445
Unallocated other income					4,565
Unallocated corporate expenses					(16,207)
Finance costs					(1,114)
Profit before tax					8,689
Income tax expense					(2,676)
Profit for the period					6,013

Three-months ended 30 June 2007 (restated)

	Gas Connection RMB'000	Construction of gas pipeline infrastructure RMB'000	Sales of piped gas RMB'000	Sales of gas appliances RMB'000	Consolidated RMB'000
Revenue	27,004	—	8,003	247	35,254
Segment result before depreciation/amortization	20,464	—	1,517	35	22,016
Depreciation/amortization	—	—	(1,542)	—	(1,542)
Segment result	20,464	—	(25)	35	20,474
Unallocated other income					85
Unallocated corporate expenses					(4,459)
Finance costs					(678)
Profit before tax					15,422
Income tax expense					(5,226)
Profit for the period					10,196

5. SEGMENT INFORMATION (Continued)

***Business segments** (Continued)*

Six-months ended 30 June 2007 (restated)

	Gas Connection RMB'000	Construction of gas pipelines infrastructure RMB'000	Sales of piped gas RMB'000	Sales of gas appliances RMB'000	Consolidated RMB'000
Revenue	31,331	2,376	17,873	334	51,914
Segment result before depreciation/amortization	23,607	216	3,388	72	27,283
Depreciation/amortization	—	—	(3,038)	—	(3,038)
Segment result	23,607	216	350	72	24,245
Unallocated other income					457
Unallocated corporate expenses					(6,878)
Finance costs					(1,198)
Profit before tax					16,626
Income tax expense					(5,778)
Profit for the period					10,848

For the three months ended 30 June 2008 and six months ended 30 June 2008, the Group had carried out gas connection contract work with revenue of approximately RMB1.6 million and RMB10 million respectively, (three months ended 30 June 2007 and six months ended 30 June 2007: RMB13 million and RMB13 million respectively) in certain areas in Tianjin, in which the gas supply is being separately provided by 天津市燃氣集團有限公司, a substantial shareholder of the Company, to its own customers.

6. OTHER INCOME

Included in other income, for the three months ended 30 June 2008 and six months ended 30 June 2008, were government subsidies of RMB3,090,000 and RMB4,123,000 respectively, (three months ended 30 June 2007 and six months ended 30 June 2007: RMB7,000 and RMB320,000), which represent the subsidies from the government for encouraging the Group to do business in Jinnan development zone.

7. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Interest on bank borrowings wholly repayable within five years	**(566)**	(678)	**(1,114)**	(1,198)

8. (LOSS) PROFIT BEFORE TAX

(Loss) profit before tax has been arrived at after charging (crediting):

	Three months ended 30 June		Six months ended 30 June	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(restated)		(restated)
Depreciation of property, plant and equipment	**585**	726	**1,209**	1,389
Amortisation of intangible assets included in cost of sales	**1,315**	1,343	**2,606**	2,641
Amortisation of prepaid lease payments included in administrative expenses	**35**	37	**71**	74
Operating lease rental	**132**	148	**266**	297
Allowance for bad and doubtful debts in respect of:				
— other receivables	**270**	632	**540**	632
— trade receivables	**—**	827	**—**	827
Loss on disposal of property, plant and equipment	**21**	—	**21**	—
Exchange loss included in administrative expenses	**6,791**	—	**6,791**	—
Bank interest income	**(281)**	(78)	**(421)**	(137)

9. INCOME TAX EXPENSE

	Three months ended 30 June		Six months ended 30 June	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000 (restated)
The charge comprises:				
Current PRC enterprise income tax	**55**	5,234	**2,592**	5,742
Deferred taxation	**48**	(8)	**84**	36
	103	5,226	**2,676**	5,778

On 16 March 2007, the PRC promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations impose a single income tax rate of 25% for all the enterprises from 1 January 2008.

The Company is subject to the PRC Enterprise Income Tax rate of 25% for both three months and six months ended 30 June 2008 (three months and six months ended 30 June 2007: 33%).

The subsidiaries did not have taxable profit for either periods in 2008 and 2007.

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

10. DIVIDEND

The directors do not recommend the payment of any dividend for either of the periods in 2008 (three months and six months ended 30 June 2007: Nil).

11. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share for the three months ended 30 June 2008 and six months ended 30 June 2008 are based on the (loss) profit attributable to equity holders of the parent for the period of RMB556,000 and RMB6,013,000, respectively, (profit attributable to equity holders of the parent for three months ended 30 June 2007 and six months ended 30 June 2007: RMB10,196,000 and RMB10,848,000) and the weighted average number of 1,149,600,000 shares and 1,088,439,560 shares (three months ended 30 June 2007 and six months ended 30 June 2007: 995,000,000 shares) in issue during the periods.

No diluted earnings per share has been presented as the Company had no dilutive potential ordinary shares during the period or at the balance sheet date.

12. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred approximately RMB1,693,000 (six months ended 30 June 2007: RMB256,000) on acquisition of property, plant and equipment.

13. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise:

	30 June 2008 RMB'000	31 December 2007 RMB'000
Leasehold land outside Hong Kong:		
Medium-term lease	**5,391**	5,462
Analysed for reporting purpose as:		
Current portion (included in deposits, prepayments and other receivables)	**146**	147
Non-current portion	**5,245**	5,315
	5,391	5,462

At 30 June 2008, the Group is in the process of applying for title certificates for certain land with a carrying value of approximately RMB4.6 million (31 December 2007: RMB4.7 million).

14. INTANGIBLE ASSETS

	RMB'000 (restated)
COST	
At 1 January, 2007	135,201
Additions	7,918
At 31 December 2007	143,119
Additions	5,252
At 30 June 2008	148,371
AMORTISATION	
At 1 January, 2007	17,555
Charge for the year	5,331
At 31 December 2007	22,886
Charge for the period	2,606
At 30 June 2008	25,492
NET BOOK VALUE	
At 30 June 2008	122,879
At 31 December 2007	120,233

The intangible assets represents the right for distribution of gas in certain district in the PRC.

15. TRADE RECEIVABLES

	30 June 2008 RMB'000	31 December 2007 RMB'000
Trade receivables	**70,310**	93,620
less: Impairment loss recognised	**(2,115)**	(2,115)
	68,195	91,505

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

15. TRADE RECEIVABLES (Continued)

The aged analysis of net trade debtors is as follows:

	30 June 2008 RMB'000	31 December 2007 RMB'000
0-90 days	**12,307**	57,770
91-180 days	**8,297**	21,149
181-270 days	**29,798**	4,937
271-365 days	**12,422**	1,467
Over 365 days	**5,371**	6,182
	68,195	91,505

16. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables with an aged analysis as follows:

	30 June 2008 RMB'000	31 December 2007 RMB'000
0-90 days	**5,623**	14,768
91-180 days	**16,979**	8,499
181-270 days	**294**	3,494
271-365 days	**166**	—
Over 365 days	**404**	316
	23,466	27,077

17. BANK LOANS

	30 June 2008 RMB'000	31 December 2007 RMB'000
Unsecured bank loans	**30,000**	30,000

The above loans are unsecured, carried interest at floating rate and will be repayable within next twelve months from the balance sheet date. The loans are guaranteed by 天津市燃氣集團有限公司, the substantial shareholder of the Company.

18. SHARE CAPITAL

	Number of shares Domestic Shares	H Shares	Registered, issued and fully paid RMB'000
Shares of RMB0.1 each			
Balance at 1 January 2008	665,000,000	330,000,000	99,500
Issue of H Shares	—	154,600,000	15,460
Conversion of domestic shares to H Shares	(15,460,000)	15,460,000	—
Balance at 30 June 2008	649,540,000	500,060,000	114,960

During the period, the Company issued 154,600,000 H Shares and converted 15,460,000 Domestic Shares into H Shares by way of placing for listing of H Shares on the GEM Board of the Stock Exchange on 13 March 2008.

19. DEFERRED TAX LIABILITIES

The following is the major deferred tax liability recognised and movements thereon during the period:

	Accelerated tax depreciation/amortisation	
	30 June 2008 RMB'000	31 December 2007 RMB'000 (restated)
At beginning of the period/year	**596**	646
Change in tax rate	**—**	(157)
Credit for the period/year	**84**	107
At end of the period	**680**	596

20. CAPITAL COMMITMENTS

At the balance sheet date, the Group had the following commitments:

	30 June 2008 RMB'000	31 December 2007 RMB'000
Capital expenditure authorised but not contracted for in respect of acquisition of intangible assets	**26,762**	29,163

21. RELATED PARTY TRANSACTIONS/BALANCES

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

Name of related party	Nature of transactions	Three months ended 30 June 2008 RMB'000	Three months ended 30 June 2007 RMB'000	Six months ended 30 June 2008 RMB'000	Six months ended 30 June 2007 RMB'000
天津市燃氣集團有限公司 (Note i)	Purchase of gas	**6,311**	6,412	**14,615**	14,277
	Entrusted management fee (Note ii)	**—**	—	**—**	71

		30 June 2008 RMB'000	31 December 2007 RMB'000
	Amount due from a shareholder (Note iii)	**2,061**	11,230

21. RELATED PARTY TRANSACTIONS/BALANCES (Continued)

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

Name of related party	Nature of transactions	Three months ended 30 June 2008 RMB'000	Three months ended 30 June 2007 RMB'000	Six months ended 30 June 2008 RMB'000	Six months ended 30 June 2007 RMB'000
天津市煤氣工程設計院 (Note iv)	Construction design fee	—	300	—	300

	30 June 2008 RMB'000	31 December 2007 RMB'000
Amount due from (to) a related party (Note iii)	96	(496)

Notes:

(i) 天津市燃氣集團有限公司 is the substantial shareholder of the Company.

(ii) On 27 September 2006, the Company entered into an agreement with 天津市燃氣集團有限公司, whereby the Company agreed to acquire certain plant and equipment located in Xiqing, Tianjin (the " Xiqing Assets") from 天津市燃氣集團有限公司 at a consideration of RMB7,194,000 (the "Asset Transfer Agreement"). Though the transfer of Xiqing Assets had already been completed in early October 2006, the Company decided to entrust 天津市燃氣集團有限公司 to manage the Xiqing Assets from the completion date of the Asset Transfer Agreement until 31 January 2007 pursuant to the provision stated in the Asset Transfer Agreement, with a view to ensure normal operation of the Xiqing Assets after the transfer. The Company agreed to pay management fee of RMB71,000 per month to 天津市燃氣集團有限公司.

(iii) The amount is unsecured, interest free and is repayable on demand.

(iv) 天津市煤氣工程設計院 is a wholly owned subsidiary of 天津市燃氣集團有限公司.

21. RELATED PARTY TRANSACTIONS/BALANCES (Continued)

(b) Material transactions and balances with other state-controlled entities in the PRC

The Group operates in an economic environment currently predominated by enterprises directly or indirectly owned or controlled by the PRC government. In addition, the Group itself is part of a larger group of companies under天津市燃氣集團有限公司 which is controlled by the PRC government (these enterprises other than天津市燃氣集團有限公司 are hereinafter collectively referred to as “State-Owned Enterprises”). During the period, the Group had material transactions with some of these State-Owned Enterprises in its ordinary and usual course of business.

While the directors of the Company consider State-Owned Enterprises are independent third parties so far as the Group’s business transactions with them are concerned, for the purpose of this report, the Group has identified the nature and quantified the amounts of its material transactions with State-Owned Enterprises, in addition to the transactions referred to in note 21 (a) above, during the period as follows:

Material transactions/balances with other State-Owned Enterprises are as follows:

(i) Material transactions

	Three months ended 30 June		Six months ended 30 June	
	2008	2007	**2008**	2007
	RMB’000	RMB’000	**RMB’000**	RMB’000
Sales	**—**	2,794	**8,314**	2,794
Purchase of service	**4,391**	5,084	**6,724**	5,084
Interest expense	**566**	678	**1,114**	1,198

21. RELATED PARTY TRANSACTIONS/BALANCES (Continued)

(b) Material transactions and balances with other state-controlled entities in the PRC (Continued)

(ii) Material balances

	30 June 2008 RMB'000	31 December 2007 RMB'000
Bank balances	**351,052**	69,949
Trade debtors and other receivables	**6,365**	2,577
Trade and other payables	**41,400**	26,383
Bank loans	**30,000**	30,000

Except as disclosed above, the directors are of the opinion that transactions with other state-controlled entities are not significant to the Group's operations.

(c) Guarantee

At 30 June 2008 and 31 December 2007, the short term bank loans of RMB30,000,000 were guaranteed by 天津市燃氣集團有限公司.

(d) Compensation of key management personnel

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

	Three months ended 30 June		Six months ended 30 June	
	2008 RMB'000	2007 RMB'000	**2008 RMB'000**	2007 RMB'000
Short-term benefit	**339**	312	**648**	610
Post employment benefit	**4**	6	**7**	8
	343	318	**655**	618

Management Discussion and Analysis

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

With a view to further consolidating the capital bases of the Group, the Group has allotted and issued 170,060,000 H Shares pursuant to a placing agreement with the placing agent at a placing price of HK$1.90 per H Shares (the "Placing"). The Placing was completed on 13 March 2008. The Group has gained the net proceeds of approximately HK$280 million from the Placing. The Placing enables the Group to lay a good foundation for its future development and to make further acquisitions in the future.

In order to further expand the Group's business in Tianjin, the Company has entered into an asset transfer agreement with Tianjin Gas Group Company Limited ("Tianjin Gas") on 6 June 2008, whereby the Company agreed to acquire (the "Acquisitions") part of the fixed assets (including pipe network, machinery equipment and ancillary facilities of pipe network) of Hangu Sales Office, Ninghe Sales Office and Xiqing Sales Office of Third Sales Branch of Tianjin Gas from Tianjin Gas (the "Transferred Assets"). The Acquisitions will enable the Company to expand its business into part of districts such as Xiqing District, Hangu District and Ninghe District of Tianjin City, to enhance the number of users of the Company and sales volume of natural gas, to take advantageous concepts of Binhai New District within these areas which have a number of large-scale industrial users involving in metallurgy, chemical, mechanical manufacturing and construction of ecological city, and to acquire developing areas for the urban-rural integration. With continuously exploring new users, the Company will realize sustained growth in the number of users in these districts and in turn bring about larger room for development and revenue for the Company.

Business Review

For the six months ended 30 June 2008 (the "Period"), the Group reported a revenue of approximately RMB52,329,000, representing an increase of approximately 0.8% as compared with the first half year of 2007. The Group's net profit for the first half year of 2008 amounted to approximately RMB6,013,000 (six months ended 30 June 2007: RMB10,848,000).

SEGMENTAL INFORMATION ANALYSIS

During the six months ended 30 June 2008, the Group has implemented its formulated development strategies to provide piped gas connection to the users in the Group's operational locations in Tianjin City and Jining, Inner Mongolia. Gas connection revenue is the major source of income for the Group, which is followed by sales of piped gas, construction of gas pipeline infrastructure and sales of gas appliances. The Group will further expand the operation in these three areas, in order to attain its strategic objectives for this year.

FINANCIAL RESOURCES

The Group is generally funded by equity financing and bank borrowings. As at 30 June 2008, the Group had unsecured bank borrowings of RMB30,000,000 from Industrial Bank Co., Ltd. which is repayable within one year. The Group had no charge created on its assets.

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

The Group's asset liability ratio (total liabilities to total asset rate) as at 30 June 2008 was approximately 14.1%.

CONTINGENT LIABILITIES

As at 30 June 2008, the Group had no material contingent liabilities or guarantees.

STAFF AND EMOLUMENT POLICY

As at 30 June 2008, the Group had a workforce of 77 full-time employees, among which approximately 99% were working in China.

Emoluments of employees were determined pursuant to the common practice of the industry as well as individual performance. In addition to regular salaries, the Group also paid 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.

Prospects

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

Benefiting from the reformation of gas companies across China and the considerable demands, the Group expects to further increase the market share. The directors and management of the Company will try their best to bring satisfactory returns to shareholders.

The Group plans to further explore the following areas in the future:

- Focus on the balanced development of various gas-related businesses and make efforts to develop the piped gas market, including participating in the urban natural gas pipeline network projects in local areas by way of mergers or acquisitions.

- Continue to advance the research, evaluation, negotiation and other work related to existing projects, and ensure the fulfillment of the business objectives.

- Continue to strengthen the financial management of the Group. The Group also aims to continuously lower the operating costs and maximize the revenue from the operating projects.

- Further its efforts in personnel training and recruitment, facilitate the smooth operations and developments of the Group, develop positive corporate culture, and upgrade the management of the Company.

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

The Company will expedite its development in the market and at the same time actively seek acquisitions or assets which are of good quality so as to maximize its returns for the shareholders of the Company.

Placing of H Shares

On 27 February 2008, the Company has entered into a placing agreement (the "Placing Agreement") with Kingsway Financial Services Group Limited in relation to the Placing of an aggregate of 170,060,000 H Shares ("Placing Shares") at a placing price of HK$1.90 per Placing Shares. The Placing was completed on 13 March 2008.

For details, please refer to the paragraph headed "Purchase, Sale or Redemption of the Company's Listed Securities" below and the announcements of the Company dated 29 February 2008 and 13 March 2008 respectively.

Acquisition of Assets

On 6 June 2008, the Company entered into an asset transfer agreement ("Asset Transfer Agreement") with Tianjin Gas, whereby the Company agreed to acquire the Transferred Assets from Tianjin Gas at a consideration of RMB89,516,500 (approximately HK$100,580,337).

Tianjin Gas is one of the promoters of the Company and as at the date of the announcement of the Company dated 11 June 2008 held 253,809,687 domestic shares of the Company, representing 22.08% of the total shares of the Company. Therefore, Tianjin Gas is a substantial shareholder of the Company (as defined in the GEM Listing Rules), and pursuant to Rules 20.11(1) and 20.11(3) of the GEM Listing Rules, Tianjin Gas is also a connected person of the Company. Therefore, the Acquisitions constitute a connected transaction of the Company.

As the revenue ratio (as defined in the GEM Listing Rules) of the transaction contemplated under the Asset Transfer Agreement is higher than 25% but lower than 100%, the Acquisition also constitutes a major transaction under Rule 19.06 of the GEM Listing Rules.

For details, please refer the announcement of the Company dated 11 June 2008.

Subsequent Event

PROPOSED TRANSFER OF LISTING

On 28 July 2008, the Board announced that the Directors intend to convene an extraordinary general meeting (the "EGM") and separate class meetings (the "Class Meetings") and propose special resolution at the EGM and the Class Meetings respectively for the shareholders of the Company to consider and approve, among other things, (i) the making of the relevant applications for the proposed transfer of listing of H Shares from GEM to the main board of the Stock Exchange ("Transfer of Listing"); (ii) the Transfer of Listing; (iii) the adoption of the new articles of association of the Company incorporating the relevant amendments for the purpose of the application for the Transfer of Listing (on a conditional basis); and (iv) to authorise the Directors to take such steps as they consider necessary, desirable and expedient to carry out the above.

For details, please refer to the Company's announcement dated 28 July 2008.

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

As at 30 June 2008, the interests and short positions of the Directors, chief executives and supervisors ("Supervisors") of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the required standard of dealings by Directors and Supervisors as referred to in Rule 5.46 of the GEM 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	3.63%/6.41%
Mr. Bai Shao Liang (please see Note 2 under the section "Substantial Shareholders")	Held by controlled corporation	235,925,000	20.52%/36.32%

Save as disclosed in the above paragraph, as at 30 June 2008, 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 Rule 5.46 of the GEM 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 2008, the following persons, not being a Director, chief executive or Supervisor of the Company, had interests or short positions in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and required to be recorded in the register kept by the Company pursuant to section 336 of the SFO:

SUBSTANTIAL SHAREHOLDERS

Long position

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

Name of Shareholder	Capacity	Number of Domestic Shares held	Approximate percentage of interests in the Company/ Domestic Shares of the Company
Tianjin Beacon Coatings Co., Ltd (Note 1) 天津燈塔塗料有限公司	Beneficial owner	118,105,313	10.27%/18.18%
Tianjin Gas Group Company Limited 天津市燃氣集團有限公司	Beneficial owner	253,809,687	22.08%/39.07%
Tianjin Wanshun Real Estate Company Limited 天津市萬順置業有限公司	Beneficial owner	235,925,000	20.52%/36.32%
Tianjin Wanshun Business Development Company Limited (Note 2) 天津市萬順商務發展有限公司	Held by controlled corporation	235,925,000	20.52%/36.32%
Ms. Li Sha (Note 2)	Family	235,925,000	20.52%/36.32%
Mr. Bai Shao Peng (Note 2)	Held by controlled corporation	235,925,000	20.52%/36.32%
Ms. Zhang Xiu Ying (Note 2)	Family	235,925,000	20.52%/36.32%

Note 1: Tianjin Tsinlien Investment & Trade Company Limited changed its name to Tianjin Beacon Coatings Co. Ltd on 20 January 2004.

Note 2: As at 30 June 2008, Tianjin Wanshun Business Development Company Limited ("Wanshun Business Development") held 80% interest in Tianjin Wanshun Real Estate Company Limited ("Wanshun Real Estate"), and Mr. Bai Shao Liang held 34.40% and 20% interests in Wanshun Business Development and Wanshun Real Estate respectively and is the sole executive director of Wanshun Real Estate. Ms. Li Sha is the wife of Mr. Bai Shao Liang. Mr. Bai Shao Peng held 65.60% interests in Wanshun Business Development. Ms. Zhang Xiu Ying is the wife of Mr. Bai Shao Peng. Under the SFO, Wanshun Business Development, Mr. Bai Shao Liang, Ms. Li Sha, Mr. Bai Shao Peng and Ms. Zhang Xiu Ying are taken to be interested in all the shares of the Company held by Wanshun Real Estate.

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	1.26%/2.89%
	Held by controlled corporation (note 2)	30,000,000	2.60%/6.00%
Law Suet Yi	Interests held jointly with another person (note 1)	14,500,000	1.26%/2.89%
	Interest of spouse (note 3)	30,000,000	2.60%/6.00%
The Waterfront Development Group Limited	Beneficial owner (note 2)	30,000,000	2.60%/6.00%
Martin Currie (Holdings) Limited	Held by controlled corporation (note 4)	40,000,000	3.47%/8.00%

Notes:

1. As at 30 June 2008, 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.

4. Martin Currie Inc and Martin Currie Investment Management Limited are indirectly wholly owned by Martin Currie (Holdings) Limited and thus both of them are controlled corporations of Martin Currie (Holdings) Limited. Martin Currie (Holdings) Limited is deemed, or taken to be, interested in the 16,000,000 Shares and the 24,000,000 Shares beneficially owned by Martin Currie Inc and Martin Currie Investment Management Limited respectively for the purpose of the SFO.

Save as disclosed above, as at 30 June 2008, 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

On 27 February 2008, the Company entered into the Placing Agreement with Kingsway Financial Services Group Limited in relation to the placing of an aggregate of 170,060,000 Placing Shares at a placing price of HK$1.90 per Placing Share on a best effort basis to not less than six independent professional, institutional and/or individual investors.

The Placing Shares were placed at a placing price of HK$1.90 per Placing Share, (exclusive of stamp duty (if any), brokerage (if any), Stock Exchange trading fees and SFC transaction levy) which represents:

(i) a discount of approximately 7.77% to the closing price of HK$2.06 per H Share as quoted on the Stock Exchange on 27 February 2008, being the last full trading day immediately before the signing of the Placing Agreement;

(ii) a discount of approximately 4.71% to the average of the closing prices of HK$1.994 per H Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 27 February 2008;

(iii) a discount of approximately 4.52% to the average of the closing prices of HK$1.99 per H Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including 27 February 2008; and

(iv) a premium of approximately 169.53% over net asset value per H Share of approximately RMB0.684 as at 30 June 2007 as shown or derived from the unaudited consolidated balance sheet of the Group made up to 30 June 2007.

The Placing Shares comprise of (1) 154,600,000 new shares of the Company ("New Shares") allotted and issued by the Company and (2) an aggregate of 15,460,000 H shares of the Company ("Sale Shares") converted from the same number of state-owned domestic shares of the Company transferred from 天津燈塔塗料有限公司 (Tianjin Beacon Coatings Co., Ltd) and 天津市燃氣集團有限公司 (Tianjin Gas Group Company Limited) to the 全國社會保障基金理事會 (National Social Security Fund Council of the PRC). The Placing Shares represent approximately 51.53% and 17.09%, respectively, of the issued H share capital and the registered capital of the Company prior to the completion of the Placing and approximately 34.01% and 14.79%, respectively, of the issued H share capital and the registered capital of the Company as enlarged by the issue of the New Shares and the conversion of the Sale Shares. The Directors consider that the placing will enable the Group to raise further equity capital and strengthen the capital base of the Company. The net proceeds of the placing of the New Shares were approximately HK$280 million (representing a net placing price of approximately HK$1.81 per New Share). The entire net proceeds from the placing of the Sale Shares would be remitted to the Ministry of Finance of the PRC. The Company intends to use the net proceeds from the placing of the New Shares for the construction and investment in gas pipeline infrastructure, acquisition of assets and working capital. The placing of the Placing Shares was completed on 13 March 2008.

Save as disclosed above, during the six months ended 30 June 2008, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Directors' Interests in Contracts

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

Competing Interests

As at 30 June 2008, the Directors are not aware of any business or interest of the Directors, the management shareholders of the Company and their respective associates, that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

Corporate Governance

During the six months ended 30 June 2008, the Company had complied with the code provisions set out in the Code on Corporate Governance Practice contained in Appendix 15 to the GEM 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

During the six months ended 30 June 2008, 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 Rules 5.48 to 5.67 of the GEM 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.

Audit Committee

The Company established an audit committee on 3 December 2003 with written terms of reference in compliance with Rules 5.23 to 5.25 of the GEM Listing Rules. The primary duties of the audit committee are to review and to provide supervision over the financial reporting process and internal control system of the Group. The audit committee comprises the three independent non-executive Directors, Professor Zhang Yu Li, Mr. Luo Wei Kun and Mr. Chan Shun Kuen. The Audit Committee has reviewed the results and report for this period.

By order of the Board
Tianjin Tianlian Public Utilities Company Limited
Sun Bo Quan
Chairman

Tianjin, PRC, 13 August 2008