2008
ANNUAL REPORT

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 Repubic of China with limited liability)

Stock Code: 8290

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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 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.

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Company Information

DIRECTORS

Executive Directors

Jin Jian Ping
Dong Hui Qiang
Bai Shao Liang
Tang Jie

Non-executive Directors

Sun Bo Quan *(Chairman)*
Gong Jing

Independent Non-executive Directors

Zhang Yu Li
Luo Wei Kun
Chan Shun Kuen, Eric

INDEPENDENT SUPERVISORS

Qi Yin Feng
Sha Jin Cheng

SUPERVISORS

Cao Shu Jing
Sun Xue Gang
Hao Li

COMPANY SECRETARY

Kwok Shun Tim CPA ACCA MSC LLM

AUTHORISED REPRESENTATIVES

Dong Hui Qiang
Kwok Shun Tim

COMPLIANCE OFFICER

Jin Jian Ping

AUDIT COMMITTEE

Zhang Yu Li
Luo Wei Kun
Chan Shun Kuen, Eric

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PRINCIPAL BANKER

Agricultural Bank of China
Tianjin He Xi Sub-branch
PRC

STOCK CODE

08290

Financial Summary

	2008 RMB'000	2007 RMB'000 (restated)
Turnover	**217,169**	178,871
Gross profit	**107,321**	105,746
Net profit attributable to equity holders of the Company	**60,475**	62,335
Shareholders' interest	**589,439**	277,499
Total assets	**673,497**	370,360

	2008 RMB (cents)	2007 RMB (cents)
Earnings per share	**5.4**	6.3

To all the shareholders:

The performance of Tianjin Tianlian Public Utilities Company Limited (the "Company") and its subsidiaries (collectively the "Group") attained a good business development and gained a higher market share. We believe that the Group will achieve a satisfactory result for our shareholders in year 2009.

DEVELOPMENT OF THE PRC GAS SECTOR

Improving living standards and increasing environmental consciousness in the PRC helped spur the country's demand for natural gas. Production of natural gas in the PRC continued to grow strongly in 2008. Nonetheless, natural gas still plays a small role in the PRC's energy consumption structure. Presently, the PRC's annual per capita consumption of natural gas remained low comparing to global standard, but given the environmental benefits of using natural gas, the PRC has embarked on a major expansion of its gas infrastructure. We believe that the natural gas in the PRC will record a strong growth.

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

Coal has historically been the main source of energy in the PRC. The extensive use of coal has increased the concentration of carbon dioxide and sulphur dioxide in the air and has led to serious pollution problems such as greenhouse effect, global warming and erratic weather patterns and pollutions of the atmosphere. Driven by environmental and efficiency concerns, coal, as a traditional fuel, has gradually been replaced by natural gas and LPG.

Per capita consumption of LPG also remained much lower than the world average. This suggests a strong sustainable growth in the coming years for the LPG market in the PRC. Domestic consumption is expected to record strong growth, where the increase in investment and improvement in infrastructure are providing favourable conditions for LPG consumption. Environmental protection is also exerting pressure on towns and counties in the regions to direct more energy consumption to LPG.

All above factors provide the Group's core businesses with a strong impetus for further expansion, which in turn will enable the Group to enjoy a substantial share of the considerable gains to be made by the PRC's booming gas sector.

BUSINESS DEVELOPMENT

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

Chairman's Statement

PROSPECTS

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

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

In February 2005, the State Council issued the State Council's Certain Opinion about Encouraging, Supporting and Guiding the Development of Privately-Owned Non State-Owned Economy which permitted non state-owned capital to invest into the utilities industries, including supply of natural gas in the cities, and support non state-owned capital activity participate in the investment, construction and operation of municipal public utilities businesses, such as supply of gas in cities and towns.

Consumption of natural gas in the PRC's urban areas has increased significantly recently due to the continuous promotion of the government and the construction of long-distance natural gas backbone pipelines. According to the China Statistical Yearbook, the total length of the natural gas pipelines in the PRC's urban areas has expanded significantly by approximately 132.27% from 39,629 kilometres in 2001 to 92,043 kilometres in 2005, and the population in the PRC with access to natural gas has also increased approximately by 119.26%, from 32.40 million in 2001 to 71.04 million in 2005. Furthermore, total natural gas supplied to urban areas has also increased significantly by approximately 99.48%, reaching 21,049.51 million m^3 in 2004, as compared to 10,551.96 million m^3 in 2001.

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

APPRECIATION

I would like to take this opportunity to thank our shareholders, customers and business associates for their continual supports and our staff for their diligence and contribution during the past year. We are a company with a qualified and professional working team and I look forward to a more rewarding 2009 for our shareholders.

Sun Bo Quan
Chairman

The PRC, 23 March 2009

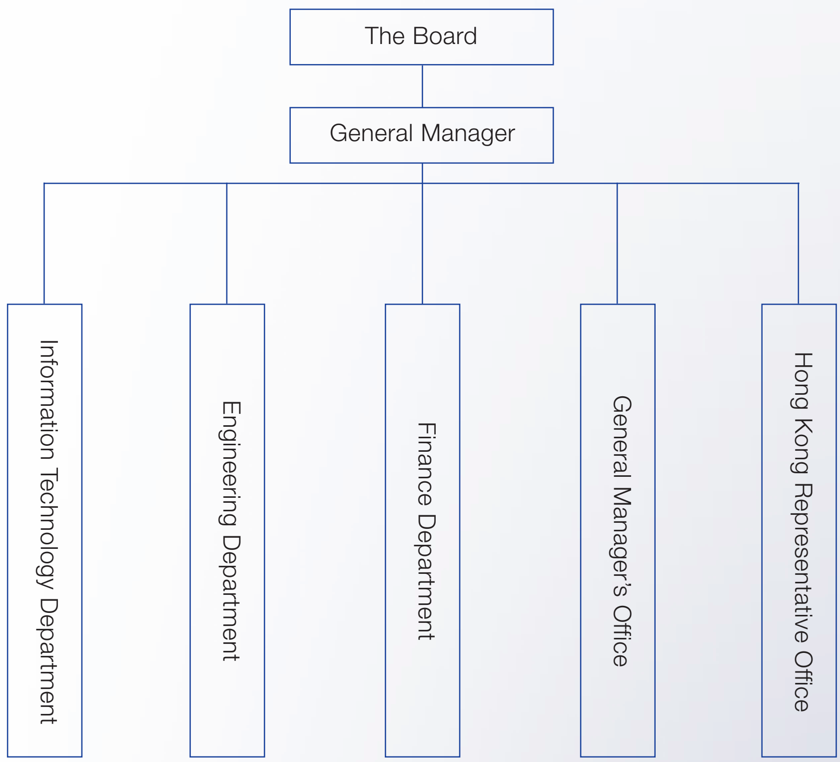
The performance of Tianjin Tianlian Public Utilities Company Limited (the "Company") and its subsidiaries (collectively the "Group") attained a good business development and gained a higher market share. We believe that the Group will achieve a satisfactory result for our shareholders in year 2009.

BUSINESS REVIEW

For the year ended 31 December 2008, the Group reported a turnover of approximately RMB217,169,000, representing an increase of approximately 21.41% as compared with the previous year. The Group's net profit attributable to the equity holders of the Company for the year 2008 amounted to approximately RMB60,475,000, representing a decrease of approximately 2.98% as compared with the previous year.

MANAGEMENT STRUCTURE

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



Segmental Information Analysis

During the year, 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. The gas connection revenue is still the major sources of income for the group, which is following by sales of piped gas, construction of gas pipeline infrastructure and sales of gas appliances. The group will further expand the operate in these two areas, in order to attain its strategic objectives for this year.

Financial Resources

The Group is generally funded by equity and bank borrowings. As at 31 December, 2008, the Group had an unsecured bank borrowing of RMB30,000,000 from Industrial Bank Co., Ltd., which is repayable within one year. The Group had no charge created on its assets.

Starting from the year of 2008, the Company has foreign currency bank balances, which expose the Group to foreign currency risk. Approximately 41% (HK$113,855,000, equivalent to RMB100,409,000) of the Group's bank balances are denominated in Hong Kong dollar, a currency other than the functional currency of the Company (ie. Renminbi). As at 31 December 2008, the Group had a net foreign exchange losses of approximately RMB6,281,000. The aforesaid foreign currency bank balances are mostly derived from net proceeds of the placing of H shares of the Company which was completed on 13 March 2008.

Save as disclosed above, the Group mostly uses Renminbi in its operation and it had not used any financial instrument for currency hedging purposes, as it considers that its exposure to fluctuations in exchange rates is only minimal. However, the management will keep monitoring the foreign exchange exposure and will enter into foreign exchange forward contracts to mitigate the foreign currency risk, if necessary.

The Group's asset liability ratio (total liabilities to total asset rate) as at 31 December 2008 was approximately 0.12.

Capital Commitment and Contingent Liabilities

As at the balance sheet date, the Group has a commitment in relation to a capital expenditure authorized but not contracted for in respect of acquisition of property, plant and equipment amounting to RMB23,379,000.

In addition to the above, on 6 October 2008, the Company entered into an Entrusted Agreement (as defined below) with 天津市燃氣集團有限公司 (Tianjin Gas Group Company Limited, "Tianjin Gas"). The construction fees of the projects will be approximately RMB217,962,000. The Company also undertakes to pay Tianjin Gas entrustment fees not exceeding RMB6,538,700.

Save as disclosed above, as at the balance sheet date, the Group has no other material capital commitment.

As at the balance sheet date, the Group had no material contingent liabilities or guarantees.

Staff and Emolument Policy

As at 31 December 2008, the Group had a workforce of 80 full-time employees, among which 99% were working in mainland 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 discretionary bonus to eligible employees subject to the Group's operating results and individual performance. The Group also made contributions to medical welfare and retirement funds as well as provided other benefits to all employees.

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.

ACKNOWLEDGEMENT

I, on behalf of the Board, would like to thank all the staff for their diligence and perseverance during the year.

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

The PRC, 23 March 2009

Directors, Supervisors and Senior Management

DIRECTORS

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

Executive Directors

Mr. Jin Jian Ping, aged 49, who holds the title of senior engineer, is currently the general manager, vice secretary to the Party Committee and vice chairman of the board of Tianjin Gas, which is a substantial shareholder of the Company.

Mr. Dong Hui Qiang, aged 55, is the chief economist of Tianjin Gas, a substantial shareholder of the Company. Mr. Dong is also a director of Tianjin Tianlian Investment Co., Ltd. (天津天聯投資有限公司), a subsidiary of the Company. Mr. Dong is a graduate of the postgraduate course for investment management organized by Chinese Academy of Social Sciences. Before joining Tianjin Gas, he was the vice general manager and chief economist of Tianjin Water Works Group Company (天津市自來水集團有限公司).

Mr. Bai Shao Liang, aged 49, is the general manager and chairman of Wanshun Real Estate, which is a substantial shareholder of the Company. Mr. Bai is also the chairman of Wanshun Business Development.

Ms. Tang Jie, aged 41, has been appointed as an executive Director since December 2001 and is also the vice general manager of the Company responsible for financial planning of the Group. Ms. Tang graduated from Tianjin University of Finance and Economics (天津財經學院), major in accounting studies, in 1991. From 1989 to 1992, she worked for Kai Lian Company (開聯公司) as an account staff. During the years from 1992 to 1996, she worked for Tianjin Ming Da Real Estate Development Company (天津明達房地產開發公司) and subsequently worked for Tianjin City Wang On Real Estate Development Company Limited (天津市宏安房地產開發有限公司), a PRC private company, responsible for accounting work until 1998. Since the incorporation of the Company in December 1998, she has been working for the Company as an accountant and the vice general manager in the finance department.

Non-executive Directors

Mr. Sun Bo Quan, aged 57, is the Chairman of the Company. He is also the chairman of the board of Tianjin Gas, which is one of the substantial shareholders of the Company. Mr. Sun is a postgraduate and before he joined Tianjin Gas, he was the vice bureau head and deputy chief economist of Tianjin Public Utility Bureau (天津市公用局).

Mr. Gong Jing, aged 44, has been appointed as a non-executive Director since December 2001. He graduated with a master degree as a research student in Meticulous Electronic Device Studies from University of Tianjin. From 1989 to 1993, he joined Tianjin Guang Dian Communication Company (天津光電通信公司) as an officer and was then promoted as an assistant branch factory manager and finally became the director of External Affairs. From 1993 to 1994, he acted as the Vice General Manager of Tianjin Tian Ma Entertainment Limited (天津天馬娛樂有限公司) and was promoted as the assistant general manager and executive manager of Tianjin Tian Ma Technology Trading Company Limited (天津天馬科貿總公司). During the period from 1994 to 1996, he became the assistant director of foreign affairs of the Tianjin New Technology Production Park Management Commission (天津新技術產業園區管理委員會) and from 1996 to 2001, he took up various positions as the secretary of Deputy Mayor of Tianjin City Government, assistant director of the State Ministry of Information Industry in the PRC and assistant to chief officer of the Committee of Tianjin New Technology Management District respectively. Since 2001, he has been acting as the general manager of the Investment Development Department of both Tianjin Tsinlien Investment Trading Co., Ltd. (天津津聯投資貿易有限公司) and Tsinlien Group Co., Ltd. (津聯集團有限公司).

Independent Non-executive Directors

Professor Zhang Yu Li, aged 43, has been appointed as an independent non-executive Director since 25 June 2007. He graduated from Nan Kai University (南開大學). He received a bachelor degree of Economic Management in 1987, a master degree in corporate management in 1989 and a doctorate degree in corporate management in 1995. In 1990, Professor Zhang became the deputy dean of the School of Business of Nan Kai University. Since 2003, he is the head of the Business Administration Research Centre of the School of Business of Nan Kai University. Professor Zhang is currently an independent director of 天津百利特精電氣股份有限公司 (Tianjin Benefo Tejing Electric Company Limited), whose A shares are listed on the Shanghai Stock Exchange.

Mr. Luo Wei Kun, aged 69, has been appointed as an independent non-executive Director since October 2002. He graduated in Tsinghua University (清華大學) with a bachelor's degree in civil engineering in 1964 and started postgraduate studies in the same year. He was awarded a postgraduate diploma in 1967. He acted as a technician in Chinese Medicine Industrial Limited Wuhan Branch (中國醫藥工業公司武漢分公司) during 1968 to 1969 and as technician, deputy section chief, section chief, engineer and vice chief engineer in the State Ministry of Medicine-Hubei Medical Manufactory Branch (國家醫葯總局湖北制藥廠制劑分廠) from 1969 to 1985. He worked as a senior engineer, section chief and assistant factory manager in Tianjin Second Coal Gas Factory (天津市第二煤氣廠) from 1986 to 1992. From 1992 to 2000, he acted as vice chief engineer in Tianjin City Gas Administrative Office (天津市燃氣管理處). After his retirement in March 2000, Mr. Luo acted as a consultant of Tianjin City Gas Administrative Office and Tianjin City Gas Planning Office. Currently, he is a general director of the China Urban Cola Gas Association, a committee member of the technical committee of the China Gas Association and a member of the technical consultant committee in the Planning Office of Tianjin City. Mr. Luo is currently an independent non-executive director of China Leason Investment Group Co., Limited (中國聯盛投資集團有限公司), whose shares are listed on the GEM board (Stock Code: 8270).

Mr. Chan Shun Kuen, Eric, aged 47, is a director of the Development Principles Fund Management Group. Mr. Chan is an associate member of Hong Kong Institute of Certified Public Accounts (formerly known as Hong Kong Society of Accountants). Mr. Chan is currently a non-executive director of Blu Spa Holdings Limited, whose shares are listed on the GEM board (Stock Code: 8176).

SUPERVISORS

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

Mr. Cao Shu Jing, aged 57, graduated from Tianjin Management Institute and majors in corporate ideological and political work, holds the title of senior political officer, and is currently vice general manager of Tianjin Gas.

Independent Supervisors

Professor Qi Yin Feng, aged 71, appointed as an independent Supervisor in October 2002. He graduated from Nan Kai University (南開大學) with a bachelor's degree in Management in 1962. Since graduation, he taught at the same university and had also acted in various positions as the assistant officer in the Faculty of Management, the Chinese co-ordinator in the Sino-French Enterprise Management Training Centre (中法企業管理幹部高級培訓中心). During the years from 1983 to 1985, he taught at the York University in Canada as visiting professor in the area of enterprise management and has taught in various universities in North America, Europe and Asia as visiting student. In 1990, he was awarded the Third Prize of the Technology Advance Award (科技進步三等獎) by State Technology Commission (國家科技委員會). Since 1962, he had acted an assistant director in the Tianjin Society of System Engineering (天津市系統工程學會) and the Executive Director in Tianjin Society of Management (天津市管理學會). In January 2002, he had completed the training for independent directors jointly organized by the CSRC and Tsing Hua University (清華大學).

Mr. Sha Jin Cheng, aged 64, was redesignated as an independent Supervisor on 25 June 2007. He graduated from Hua Dong Chemical College (華東化工學院) major in Organic Chemical Engineering studies in 1968. Since graduation, he had worked for Tianjin Paint Main Factory (天津油漆總廠) in the areas of colouring technology until 1979. During the period from 1980 to 1981, he studied International Economy Management in Beijing Technical College in International Economics (北京國際經濟管理學院). He then worked for Long-Term Planning Department of Tianjin Chemical Bureau (天津市化工局長遠規劃處) from 1982 to 1991 and Department of Foreign Investment of Tianjin City (天津市外經貿委外資處) from 1992 to 1996. Since 1996, he has been working as the deputy general manager in the investment department of Tsinlien Group Company Limited (津聯集團有限公司).

Staff Representative Supervisors

Mr. Sun Xue Gang, aged 33, graduated from Tianjin Finance College, major in Economic Information Management. Between 1997 and 2006, he had worked for 天津市自來水集團有限公司 (Tianjin Water Works Group Company) in the department of human resources, the Committee of the Communist Youth League as a deputy secretary and the retail branch of Northern Tianjin as a deputy manager. Since 2006, Mr. Sun has acted as the deputy general manager of the Company.

Ms. Hao Li, aged 38, graduated from the School of Tianjin Committee of the Communist Party, major in economic management. Ms. Hao had worked in the planning department of Tianjin Gas between 1988 and 2005. Since 2005, she has worked in the management department of the Company.

COMPANY SECRETARY

Mr. Kwok Shun Tim, aged 34, graduated from the Hong Kong University of Science and Technology and obtained a bachelor degree (business administration) and he also obtained a master degree in China Business Studies from the Hong Kong Polytechnic University and a master degree in International Economic Law from the City University of Hong Kong. He is a fellow member of The Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Kwok is experienced in the field of corporate finance, financial management and company secretarial services.

SENIOR MANAGEMENT

Mr. Zheng Tai Qi (鄭太琪先生), aged 56, tertiary educated, senior engineer, had been a deputy manager of the First Sales Branch of Tianjin Gas and has been appointed as the general manager of the Company since December 2004.

Ms. Zhang Zhi Hua, aged 50, tertiary educated, graduated from 天津市城建學院 (Tianjin City Construction College). She is a senior engineer. She was the section head of the measurement technical section of the First Sales Branch of Tianjin Gas, and the chief engineer of He Ping Suo. She has acted as the chief engineer of the Company since April 2008.

Ms. Sun Xue Gang, aged 33. Details of his biography are set out in the paragraph headed “Staff Representative Supervisors” above.

Ms. Wang Li Ping, aged 44, tertiary educated, an accountant, graduated from Finance College of Tianjin City in 1985. She had been the deputy head of the Financial Department of Tianjin Gas. Since April 2005, she has been the manager of the Finance Department of the Company.

COMPLIANCE WITH THE CODE

The Company has complied with all the code provisions in the Code on Corporate Governance Practices ("the Code") set out in Appendix 15 to the GEM Listing Rules throughout the financial year ended 31 December 2008.

KEY CORPORATE GOVERNANCE PRINCIPLES AND THE COMPANY'S PRACTICES

The Board

Roles of Directors

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

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

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

The Board has delegated the day-to-day management responsibility to the management staff under the instruction/supervision of General Manager and various Board committees.

Composition

As at the date of this report, the Board consists of 9 members, comprising 4 executive Directors namely Mr. Jin Jian Ping, Mr. Dong Hui Qiang, Mr. Bai Shao Liang and Ms. Tang Jie, 2 non-executive Directors namely Mr. Sun Bo Quan (Chairman), Mr. Gong Jing, and 3 independent non-executive Directors namely Mr. Zhang Yu Li, Mr. Luo Wei Kun and Mr. Chan Shun Kuen, Eric. One of the independent non-executive Directors, Mr. Chan Shun Kuen, Eric, is a qualified accountant with substantial experience in accounting and financial matters. Biographical details of the Directors are set out in the section Directors and Senior Management on page 9 to page 12 of this annual report.

Although the Company does not set up a Nomination Committee, the Board is mandated to assess annually the independence of all non-executive Directors, and affirms that all independent non-executive Directors satisfy the criteria of independence, as set out in the GEM Listing Rules. Board members are totally unrelated in every aspect including financial, business, or family.

Appointment and Re-election of Directors

The Company does not have a Nomination Committee. The Board as a whole is responsible for the procedure of approving the appointment of its members and for nominating appropriate person for election by shareholders at the annual general meeting, either to fill a casual vacancy or as an addition to the existing directors.

The notice of general meeting contains detailed information on election of directors including detailed biography of all directors standing for election or re-election to ensure shareholders to make an informed decision on their election.

In the selection process, the Board makes reference to criteria including, inter alia, reputation for integrity, accomplishment and experience in the relevant industry, professional and educational background, and commitment in respect of available time and relevant interest.

The Board has considered in a board meeting the policy for the nomination of directors, and selection of candidate to fill a casual vacancy in the year 2008.

Chairman and Chief Executive Officer

As at the date of this report, Mr. Sun Bo Quan serves as the Chairman of the Company. The Company does not have a chief executive officer. The General Manager (currently Mr. Zheng Tai Qi) acts as the leading officer of the Group in executing the business and other policies and strategies laid down by the Board.

Term of Non-executive Director

The non-executive Directors are appointed for a fixed term for no more than 3 years.

Board Process

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

Regular Board meetings are held normally every 3 months, with additional meetings arranged, if and when required. Six Board meetings were held in 2008 and the average attendance rate was 96 per cent. Individual attendance records are set out below.

Board Attendance

No of meetings held during the year	6
Executive Directors	
Jin Jian Ping	6
Dong Hui Qiang	6
Bai Shao Liang	6
Tang Jie	6
Non-executive Directors	
Sun Bo Quan *(Chairman)*	6
Gong Jing	5
Independent Non-executive Directors	
Zhang Yu Li	6
Luo Wei Kun	6
Chan Shun Kuen	5
Average attendance rate	96%

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

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

Directors' Duties

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

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

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

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

Conduct on Share Dealings

The Company has adopted a code of conduct regarding securities transactions by Directors and supervisors ("Supervisors") of the Company on terms no less exacting than the required standard of dealings as referred to in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company, having made specific enquiries to its directors and supervisors, confirms that, throughout the financial year ended 31 December 2008, all Directors and Supervisors met the criteria laid down in the said code for securities transactions by directors and supervisors.

Board Committees

The Board is supported by two committees, namely Remuneration Committee and Audit Committee. Each of them has defined terms of reference covering its duties, powers and functions.

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

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

	Major roles and functions	Composition during 2008	Attendance in 2008
Audit Committee	• To serve as a focal point for communication between Directors, the external auditors and internal auditors	Luo Wei Kun Chan Shun Kuen, Eric Zhang Yu Li *(Chairman)*	100% 100% 100%
	• To assist the Board in fulfilling its responsibilities by providing an independent review and supervision of financial reporting, and the effectiveness of the Group's internal control system		
	• To review the appointment of external auditors on an annual basis as well as to ensure independence of the continuing auditor		
Total number of meetings held in 2008: 4			
Remuneration Committee	• To formulate remuneration policy and make recommendations on the annual remuneration review	Sun Bo Quan *(Chairman)* Luo Wei Kun Chan Shun Kuen, Eric	100% 100% 100%
	• To determine the remuneration of Executive Director and members of the Senior Management		
Total number of meetings held in 2008: 4			

Remuneration of Directors and Senior Management

The Board has established a Remuneration Committee with specific written terms of reference which set out its authority and duties. The terms of reference of the Remuneration Committee have included the specific duties set out in Code Provision B.1.3(a) to (f) of the Code, with appropriate modifications where necessary. The Remuneration Committee determines the Group's remuneration policy and reviews, in particular, the remuneration packages of the Senior Management. It also makes recommendations to the Board on the annual salary adjustment and provision of the performance bonus, if any.

The Remuneration Committee has held one meeting during 2008 to determine the Group's remuneration policy for executive Directors. A general description of the emolument policy and long-term incentive schemes as well as the basis of determining the emolument payable to the directors is set out on pages 7 and 22 of the annual report.

Accountability and Audit

Financial Reporting

The Directors are responsible for overseeing the preparation of the annual accounts which give a true and fair view of the Group's state of affairs of the results and cash flow for the year. In preparing the accounts for the year ended 31 December 2008, the Directors have:

- selected suitable accounting policies and applied them consistently; and

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

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

A statement by the auditors about their reporting responsibilities is included in the Independent Auditor's Report on page 33.

Internal Control

The Board, through the Audit Committee, has reviewed the effectiveness of the Company's system of internal control over financial, operational and compliance issues for the year 2008. The Audit Committee concluded that, in general, the Company has set up a sound control environment and installed necessary control mechanisms to monitor and correct non-compliance. The Board, through the review of the Audit Committee, is satisfied that the Group in 2008, fully complied with the code provisions on internal controls as set forth in the Code.

External Auditors

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

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

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

During 2008, the fees paid to the Company's external auditors for audit services amounted to approximately RMB629,000 and for non-audit related activities (which are account review fees and ad hoc projects fees) amounted to approximately RMB1,119,000.

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

Audit Committee

The Board has formed an audit committee in compliance with the GEM Listing Rules to fulfill the functions of reviewing and monitoring the financial reporting and internal control of the Company. The committee members currently comprises all the Independent Non-executive Directors, namely Mr. Zhang Yu Li *(Chairman)*, Mr. Luo Wei Kun and Mr. Chan Shun Kuen, Eric. The terms of reference adopted by the Audit Committee are aligned with the recommendations set out in "A Guide for Effective Audit Committees" issued by the Hong Kong Institute of Certified Public Accountants and modified to incorporate the relevant provisions set out in the Code.

The principal activities of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls. The Audit Committee meets at least four times a year for review of the draft annual, interim and quarterly reports of the Company.

During 2008, the Audit Committee met four times to discuss the annual results of 2007 and the first quarterly, interim and third quarterly results of 2008. The adequacy and effectiveness of the Group's internal control are also discussed in these meetings. The committee has complete and unrestricted access to the external auditors and all staff of the Group.

Corporate Communication

The Group recognizes the importance of shareholder feedback and the need for ongoing communication with its stakeholders, including the general public, investors, and the institutional and individual shareholders. The Company published annual, interim and quarterly reports which contained detailed information about the Group. Inquiries by shareholders are directed and dealt with by senior management of the Group.

The Board of Directors is pleased to present the audited consolidated financial statements of the Group for the year ended 31 December 2008.

TRANSFORMATION AND LISTING

Tianjin Tianlian Gas Company Limited 天津市津聯燃氣有限公司 (the "Predecessor"), the predecessor of Tianjin Tianlian Public Utilities Company Limited 天津天聯公用事業股份有限公司 (the "Company"), was established on 16 December 1998. The Company was established in the People's Republic of China (the "PRC") on 29 December 2001 as a joint stock limited company by way of transformation of the Predecessor.

On 23 May 2003, the China Securities Regulatory Commission (the "CSRC") gave its consent to the Company issuing overseas listed foreign invested shares ("H Shares") and applying for the listing of the H Shares on the Growth Enterprises Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Subsequently, the Company's H Shares are listed on the GEM of the Stock Exchange from 9 January 2004.

PRINCIPAL ACTIVITIES

The principal activities of the Company are the operation and management of gas pipeline infrastructure and the sale and distribution of piped gas. One of the subsidiaries, 烏盟乾生天聯公用事業有限責任公司 is dormant. The other subsidiary 天津天聯投資有限公司 is engaged in investment activities.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2008 are set out in the consolidated income statement on page 35 of the annual report.

The Directors recommend the payment of a final dividend of RMB0.015 per share for the year ended 31 December 2008 (2007: Nil). Such dividend shall be subject to approval by shareholders at the 2008 annual general meeting of the Company to be held. The date of annual general meeting, the book closing period, the record date for dividend payment, dividend payment procedures and payment date will be notified separately.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group is set out on page 3 of the annual report.

SHARE CAPITAL

Details of the Company's share capital are set out in note 27 to the consolidated financial statements.

RESERVES

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

The Company's reserves available for distribution to shareholders as at 31 December 2008, comprised the retained profits determined under PRC accounting standards of approximately RMB183 million (2007: RMB132 million).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group and the Company are set out in note 15 to the consolidated financial statements.

DIRECTORS AND SUPERVISORS

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

Executive directors:

Mr. Jin Jian Ping
Mr. Dong Hui Qiang
Mr. Bai Shao Liang
Ms. Tang Jie

Non-executive directors:

Mr. Sun Bo Quan *(Chairman)*
Mr. Gong Jing

Independent non-executive directors:

Professor Zhang Yu Li
Mr. Luo Wei Kun
Mr. Chan Shun Kuen

Supervisors:

Mr. Cao Shu Jing
Ms. Sun Xue Gang
Ms. Hao Li

Independent supervisors:

Professor Qi Yin Feng
Mr. Sha Jin Cheng

In accordance with the provisions of the Company's Articles of Association, the Directors and Supervisors are appointed for a term of three years and, being eligible, offer themselves for re-election in the annual general meeting upon expiry of the terms of office.

The Company has received from each of the independent non-executive directors their respective confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules and considers that they remain independent.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years, thereafter terminable upon either party giving three-month notice.

Each of the Supervisors except the independent supervisors has entered into a service agreement with the Company for a term of three years, terminable at the request of the relevant supervisor subject to shareholders' approval.

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

TERM OF APPOINTMENT OF NON-EXECUTIVE DIRECTORS

The appointment of all non-executive Directors are for three years.

POLICY FOR DIRECTORS' REMUNERATION

The remuneration of the Directors is determined by the Remuneration Committee with reference to the directors' respective qualifications and experiences.

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

As at 31 December 2008, the interests and short positions of the Directors, Chief Executive and Supervisors in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO") which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the required standard of dealings by Directors and Supervisors of the Company as referred to in 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 3 under the section "Substantial Shareholders")	Held by controlled corporation	235,925,000	20.52%/36.32%

Save as disclosed in this paragraph, as at 31 December 2008, none of the Directors, Chief Executive and Supervisors had interest in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the required standard of dealings by Directors and Supervisors as referred to in 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 31 December 2008, the following, not being a Director or Supervisor, have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and required to be entered in the register maintained by the Company pursuant to section 336 of the SFO:

SUBSTANTIAL SHAREHOLDERS

Long position

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

Name of shareholder	Capacity	Number of Domestic Shares held	Approximate percentage of interests in the Company/ Domestic Shares of the Company
Tianjin 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	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: Tianjin Wanshun Business Development Company Limited ("Wanshun Business Development") holds 80% interest in Tianjin Wanshun Real Estate Company Limited ("Wanshun Real Estate"). Mr. Bai Shao Liang holds 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 holds 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%/5.99%
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%/5.99%
The Waterfront Development Group Limited	Beneficial owner (note 2)	30,000,000	2.60%/5.99%
Martin Currie (Holdings) Limited	Held by controlled corporation (note 4)	42,130,000	3.66%/8.42%
Chiu Suet Ying	Beneficial owner	27,000,000	2.35%/5.40%

Notes:

1. 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 18,130,000 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 31 December 2008, the Directors are not aware of any person, not being a Director, Chief Executive or Supervisor, have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and required to be entered in the register maintained by the Company pursuant to section 336 of the SFO.

DIRECTORS' INTERESTS IN CONTRACTS

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

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

On 27 February 2008, the Company entered into a placing agreement ("Placing Agreement") with Kingsway Financial Services Group Limited in relation to the placing of an aggregate of 170,060,000 H shares of the Company of RMB0.1 each ("Placing Shares") at a placing price of HK$1.90 per 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 the transaction levy of the Securities and Futures Commission) 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 H 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 Tianjin Gas 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 year ended 31 December 2008, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

During the year under review, the Company had complied with the code provisions in the Code on Corporate Governance Practices set out in Appendix 15 to the GEM Listing Rules. For details, please refer to the section headed "Corporate Governance Report" in this report.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

COMPETING INTERESTS

As at 31 December 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.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the year ended 31 December 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 the Directors.

CONTINUING CONNECTED TRANSACTIONS

(1) Gas Supply Transaction

On 15 June 2007, the Company entered into, among others, a gas supply contract, in respect of the supply of natural gas by Tianjin Gas to the Group ("Gas Supply Transaction") for 2008 with Tianjin Gas. Tianjin Gas is a substantial shareholder of the Company and thus a connected person of the Group. Pursuant to the gas supply contract in respect of the Gas Supply Transaction, the annual cap for the year ended 31 December 2008 was RMB106.2 million.

(2) Pipeline Design Transaction

On 15 June 2007, the Company also entered into a pipeline design agreement ("Pipeline Design Agreement") with Tianjin Gas Engineering Design Institute ("Design Institute") in respect of the provision of pipeline design service by Design Institute to the Company ("Pipeline Design Transaction"), a wholly owned subsidiary of Tianjin Gas.

Pursuant to Pipeline Design Agreement, the annual cap for the year ended 31 December 2008 in relation to Pipeline Design Transaction was RMB1,500,000.

For details of the above transactions, please refer to the announcement and circular of the Company dated 20 June 2007 and 11 July 2007 respectively.

At the extraordinary general meeting of the Company held on 27 August 2007, the above annual caps in relation to Gas Supply Transaction had been approved by the independent shareholders of the Company as required by the GEM Listing Rules.

During the year, the Company had purchased natural gas of RMB61,259,261 (excluding tax) from Tianjin Gas and paid a design fee of RMB171,600 to the Design Institute which transaction amounts were within the relevant annual caps approved by the shareholders of the Company.

In accordance with the conditions agreed with the Stock Exchange with respect to the connected transactions, the independent non-executive directors have reviewed the continuing connected transactions. In their opinion, the Gas Supply Transaction and the Pipeline Design Transaction entered into by the Group were:

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

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

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

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

PLACING OF H SHARES

On 27 February 2008, the Company has 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. 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" above 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, among others, certain pipe network, machinery equipment and ancillary facilities of pipe network from Tianjin Gas at a consideration of RMB89,516,500 (approximately HK$100,580,337) ("Acquisition").

As the revenue ratio (as defined in the GEM Listing Rules) of the transaction contemplated under the Asset Transfer Agreement was higher than 25% but lower than 100%, the Acquisition constituted a major transaction under the GEM Listing Rules. As Tianjin Gas is one of the promoters and a substantial shareholder of the Company, the Acquisition also constituted a connected transaction of the Company subject to the approval of independent shareholders under the GEM Listing Rules.

The Asset Transfer Agreement was approved by the independent shareholders at the extraordinary meeting of the Company held on 29 October 2008. The Acquisition was completed on 5 November 2008.

For details, please refer to the Company's announcements dated 11 June 2008 and 29 October 2008 and the Company's circular dated 12 September 2008.

TRANSFER OF LISTING

The shareholders at the extraordinary general meeting (the "EGM") and separate class meetings (the "Class Meetings") held on 29 October 2008 approved the special resolutions, among other things, on (i) the making of the relevant applications for the proposed transfer of listing of H shares of the Company 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.

As at the date of this report, the Transfer of Listing has not been completed.

For details, please refer to the Company's announcements dated 11 June 2008 and 29 October 2008 and the Company's circular dated 12 September 2008.

ENTRUSTED CONSTRUCTION

On 6 October 2008, the Company entered into a conditional entrusted construction agreement ("Entrusted Construction Agreement") with Tianjin Gas, pursuant to which the Company entrusted Tianjin Gas and Tianjin Gas agreed to undertake to construct two projects, namely the Beihuan Pipeline Project and the Gangnan Distribution Project ("Entrusted Construction") in relation to (among others) building of new gas pipelines. The proposed maximum amount of the total consideration for the Entrusted Construction will not exceed RMB224,500,700 (approximately HK$255,404,664).

As the asset ratio (as defined in the GEM Listing Rules) of the transactions contemplated under the Entrusted Construction was higher than 25% but lower than 100%, the Entrusted Construction constituted a major transaction under the GEM Listing Rules. As Tianjin Gas is one of the promoters and a substantial shareholder of the Company, the Entrusted Construction also constituted a connected transaction of the Company subject to the approval of independent shareholders under the GEM Listing Rules.

The Entrusted Construction was approved by the independent shareholders at the extraordinary general meeting held on 23 March 2009.

For details, please refer to the Company's announcement dated 8 October 2008 and the Company's circular dated 5 February 2009.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers of the Group together accounted for approximately 24.65% of the Group's total turnover for the year, with the largest customer accounted for approximately 13.29%. The five largest suppliers of the Group together accounted for approximately 92.53% of the Group's total purchases for the year, with the largest supplier accounted for 60.28%.

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

AUDIT COMMITTEE

The Company established an audit committee on 3 December 2003 with written terms of reference in compliance with Rules 5.28 to 5.29 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 currently comprises the three independent non-executive directors, Professor Zhang Yu Li, Mr. Luo Wei Kun and Mr. Chan Shun Kuen, Eric. There were four meetings held within the year 2008. Audit Committee has reviewed this report.

SUFFICIENCY OF PUBLIC FLOAT

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

PRE-EMPTIVE RIGHTS

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

AUDITOR

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as the auditor of the Company.

On behalf of the Board
Tianjin Tianlian Public Utilities Company Limited
Sun Bo Quan
Chairman

23 March 2009

Supervisory Committee's Report

To All Shareholders:

During the period of this report, all members of the Supervisory Committee have faithfully discharged their supervisory duties vested in them by the Articles of Association of the Company in compliance with the provisions of the Company Law of the People's Republic of China and the Articles of Association of the Company to safeguard the interests of the Company and its shareholders and abiding by the principle of good faith in performing its work prudently and diligently. Our major functions comprised: exercising supervision over the Board to ensure that they are performing effectively, supervision of the major policies and decisions of the Company's management to determine their consistency with the law and regulations of the State, the Articles of Association of the Company and the interests of the shareholders of the Company, and making recommendations on the development strategy of the Group.

The Supervisory Committee has reviewed the accounting evidence, books and records, statements and other accounting information of the Company. We are of the opinion that the Company's financial statements have been properly prepared, and that the auditing work and financial management of the Company are in compliance of the relevant regulations. We have found nothing contained therein to be doubtful.

The Supervisory Committee has also carefully reviewed the Directors' Report, the audited financial statements and the proposed profit appropriation plan to be submitted by the Board to the forthcoming annual general meeting. We are of the opinion that the directors, general manager and other senior management staff of the Company have strictly adhered to the principle of good faith and sincerely acted in the best interests of the Company when they exercised their power. They have not committed any acts in violation of any laws or regulations or Articles of Association, nor have they been provided in any acts of abuse of power or infringement of the interests of the Company and its shareholders.

In 2009, the Supervisory Committee will continue faithfully to perform its duties and work diligently to safeguard the interests of all of the Company's investors.

By order of the Supervisory Committee
Cao Shu Jing
Chairman of the Supervisory Committee
The PRC
23 March, 2009

Independent Auditor's Report

Deloitte.
德勤

TO THE SHAREHOLDERS OF
TIANJIN TIANLIAN PUBLIC UTILITIES COMPANY LIMITED
天津天聯公用事業股份有限公司
(A joint stock company with limited liability established in the People's Republic of China)

We have audited the consolidated financial statements of Tianjin Tianlian Public Utilities Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 35 to 76, which comprise the consolidated balance sheet as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
23 March 2009

Consolidated Income Statement

For The Year Ended 31 December 2008

	NOTES	**2008 RMB'000**	2007 RMB'000 (restated)
Turnover	7	**217,169**	178,871
Cost of sales		**(109,848)**	(73,125)
Gross profit		**107,321**	105,746
Other income	8	**10,464**	3,839
Selling expenses		**(57)**	(42)
Administrative expenses		**(33,715)**	(12,822)
Finance costs	9	**(2,260)**	(2,406)
Share of result of an associate		**(28)**	—
Profit before tax		**81,725**	94,315
Income tax expense	10	**(21,385)**	(31,980)
Profit for the year	11	**60,340**	62,335
Attributable to:			
Equity holders of the parent		**60,475**	62,335
Minority Interests		**(135)**	—
		60,340	62,335
Dividend proposed (RMB cents)	12	**1.5**	—
Earnings per share			
— basic (RMB cents)	2 & 13	**5.4**	6.3

At 31 December 2008

	NOTES	2008 RMB'000	2007 RMB'000 (restated)
Non-current assets			
Property, plant and equipment	15	**64,985**	52,841
Prepaid lease payments	16	**5,168**	5,315
Intangible assets	17	**201,574**	120,233
Contract work in progress	18	**13,596**	12,241
Interest in an associate	19	**7,677**	—
Prepayment		**108**	134
Deferred tax assets	28	**2,889**	—
		295,997	190,764
Current assets			
Inventories	20	**706**	978
Trade receivables	21	**116,750**	91,505
Deposits, prepayment and other receivables	21	**4,485**	5,931
Amount due from a shareholder	22	**9,281**	11,230
Held for trading investments	23	**1,422**	—
Bank balances and cash	24	**244,856**	69,952
		377,500	179,596
Current liabilities			
Trade and other payables	25	**37,274**	35,161
Income tax payable		**15,992**	26,608
Bank loan	26	**30,000**	30,000
Amount due to a related party	22	**75**	496
		83,341	92,265
Net current assets		**294,159**	87,331
Total assets less current liabilities		**590,156**	278,095
Capital and reserves			
Share capital	27	**114,960**	99,500
Share premium and reserves		**474,479**	177,999
Total equity		**589,439**	277,499
Non-current liability			
Deferred tax liabilities	28	**717**	596
		590,156	278,095

The consolidated financial statements on pages 35 to 76 were approved and authorised for issue by the Board of Directors on 23 March 2009 and are signed on its behalf by:

Dong Hui Qiang	**Sun Bo Quan**
DIRECTOR	*CHAIRMAN*

For The Year Ended 31 December 2008

	Attributable to equity holders of the Company							
	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserves RMB'000 (note i)	Enterprise expansion fund RMB'000 (note i)	Accumulated profits RMB'000	Total RMB'000	Minority interests RMB'000	Total RMB'000
At 1 January 2007	99,500	31,667	10,837	–	73,160	215,164	–	215,164
Profit for the year and total recognised income for the year (as restated)	–	–	–	–	62,335	62,335	–	62,335
At 31 December 2007 (as restated)	99,500	31,667	10,837	–	135,495	277,499	–	277,499
Profit for the year and total recognised income for the year	–	–	–	–	60,475	60,475	(135)	60,340
Capital contributed from minority shareholders of a subsidiary	–	–	–	–	–	–	7,840	7,840
Released on disposal of a subsidiary	–	–	–	–	–	–	(7,705)	(7,705)
Issue of H Shares (note ii)	15,460	249,464	–	–	–	264,924	–	264,924
Shares issue expenses	–	(13,459)	–	–	–	(13,459)	–	(13,459)
Appropriation	–	–	6,143	3,071	(9,214)	–	–	–
At 31 December 2008	114,960	267,672	16,980	3,071	186,756	589,439	–	589,439

Note:

(i) Basis of appropriations reserves

Prior to August 2007, each of the Company's and its subsidiaries' Articles of Association requires the appropriation of 10% its profit after taxation determined under the PRC accounting standards each year to the statutory surplus reserve until the balance reaches 50% of the share capital. The statutory surplus reserve shall only be used for making up losses, capitalisation into share capital and expansion of the production and operation. After transformation to a foreign invested joint stock company in June 2007, the transfers to statutory surplus reserve fund is based on the profit after taxation stated in the financial statements prepared under the PRC accounting standards at the discretion of the board of directors.

As stipulated by the relevant laws and regulations for foreign investment enterprises in the PRC, the PRC subsidiaries are required to maintain a enterprise expansion fund. Enterprise Expansion fund are non-distributable. Appropriations to such reserves are made out of net profit after taxation annually of the PRC subsidiaries at the discretion of its board of directors. The enterprise expansion fund is used for expanding the capital base of the PRC companies by means of capitalisation issue.

(ii) 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.

For The Year Ended 31 December 2008

	NOTE	2008 RMB'000	2007 RMB'000 (restated)
Operating activities			
Profit before tax		**81,725**	94,315
Adjustments for:			
Allowances for bad and doubtful debts		**11,557**	2,740
Amortisation of intangible assets		**5,911**	5,331
Amortisation of prepaid lease payments		**147**	147
Depreciation of property, plant and equipment		**2,455**	2,683
Gain on disposal of a subsidiary		**(6)**	—
(Gain) loss on disposal of property, plant and equipment		**(278)**	70
Interest expense		**2,260**	2,406
Interest income		**(2,704)**	(355)
Share of result of an associate		**28**	—
Operating cash flows before movements in working capital		**101,095**	107,337
Increase in contract work in progress		**(4,998)**	(5,810)
Decrease in inventories		**272**	182
Increase in trade receivables		**(36,032)**	(37,183)
Increase in deposits, prepayments and other receivables		**(12,579)**	(4,151)
Decrease (increase) in amount due from a shareholder		**1,949**	(11,230)
Increase in held for trading investments		**(1,422)**	—
Decrease in trade and other payables		**2,125**	14,554
Increase in amount due to a related party		**(421)**	(3,482)
Net cash from operations		**49,989**	60,217
Interest paid		**(2,260)**	(2,406)
Tax paid		**(34,769)**	(16,697)
Net cash from operating activities		**12,960**	41,114
Investing activities			
Purchase of intangible assets		**(83,609)**	—
Purchase of property, plant and equipment		**(15,175)**	(3,056)
Net cash outflow arising on disposal of a subsidiary	32	**(1,762)**	—
Interest received		**2,704**	355
Proceeds on disposal of property, plant and equipment		**481**	8
Net cash used in investing activities		**(97,361)**	(2,693)
Financing activities			
Proceeds on issue of H shares		**264,924**	—
New bank loan raised		**30,000**	40,000
Capital contributed from minority shareholders		**7,840**	—
Repayment of bank loan		**(30,000)**	(40,000)
Share issue expenses		**(13,459)**	—
Net cash from financing activities		**259,305**	—
Net increase in cash and cash equivalents		**174,904**	38,421
Cash and cash equivalents at beginning of the year		**69,952**	31,531
Cash and cash equivalents at end of the year, represented by			
Bank balances and cash		**244,856**	69,952

1. GENERAL

The Company was established at Weishan Road, Chang Qing Science, Industry and Trade Park, Jinnan District, Tianjin, the People's Republic of China (the "PRC") as a joint stock limited company. The Company's oversea 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 principal activity of its subsidiaries is disclosed in note 34.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
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 the new HKFRSs interpretations, other than HK (IFRIC)-Int 12, which are detailed as below, had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented.

Service concession arrangements

In the current year, 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 a 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 provides guidance on the accounting by the operator of a service concession arrangement which involved the provision of public sector services.

For The Year Ended 31 December 2008

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

In prior years, 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 recognised 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 summarised below.

Summary of the effects of the changes in accounting policies

The effect of changes in accounting policies resulted from adoption of HK(IFRIC)-Int 12 for the current and prior year by line items are as follows:

	2008 **RMB'000**	2007 RMB'000
Increase in revenue on construction	**6,450**	5,808
Increase in construction cost	**(5,864)**	(5,280)
Decrease in depreciation expense	**5,911**	5,331
Increase in amortisation expense	**(5,911)**	(5,331)
Increase in deferred tax expense	**(145)**	(132)
Increase in profit for the year	**441**	396

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

Summary of the effects of the changes in accounting policies *(continued)*

The effect of the application of the new interpretation as at 31 December 2007 is summarised 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
Accumulated profits and total effect on equity	135,099	396	135,495

The effects of the application of the new interpretation on the Group's basic earnings per share for the current and prior year:

Impact on basic earnings per share

	2008 RMB cent	2007 RMB cent
Reported figures before adjustments	**5.4**	6.2
Adjustments arising from changes in accounting policies	**—**	0.1
Restated	**5.4**	6.3

For The Year Ended 31 December 2008

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

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

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible Hedged Items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[2]
HKFRS 8	Operating Segments[2]
HK(IFRIC)-Int 9 & HKAS 39 (Amendments)	Embedded Derivatives[4]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[5]
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation[6]
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners[3]
HK(IFRIC)-Int 18	Transfer of Assets from Customers[7]

1 Effective for annual periods beginning on or after 1 January 2009 except for the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2009
3 Effective for annual periods beginning on or after 1 July 2009
4 Effective for annual periods ending on or after 30 June 2009
5 Effective for annual periods beginning on or after 1 July 2008
6 Effective for annual periods beginning on or after 1 October 2008
7 Effective for transfers on or after 1 July 2009

The adoption of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January 2010. HKFRS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The Group has commenced considering the potential impact of HK(IFRIC)-Int 18 but is not yet in a position to determine whether it would have a significant impact on how the results of operations and financial position of the Group are prepared and presented. HK(IFRIC)-Int 18 applies to all agreements in which an entity receives from a customer an item of property, plant and equipment (or cash to construct or acquire an item of property, plant and equipment) that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or to both. The directors of the Company anticipate that the application of the other new or revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of The Stock Exchange and by the Hong Kong Companies Ordinances.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of the changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Gas connection contracts and service income from construction service

When the outcome of a fixed price gas connection contract and contract for construction of pipeline infrastructure can be estimated reliably and the stage of completion at the balance sheet date can be measured reliably, construction contract revenue from gas connection contracts and contracts for construction of pipelines is recognised based on the percentage of completion method, as measured by reference to the cost of work carried out during the year bear to the estimated total contract costs.

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

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

Others

Sales of gas and gas appliances are recognised when gas is supplied to customers, goods are delivered and title has passed.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipt through the expected life of the financial asset to that asset's net carrying amount.

Property, plant and equipment

Property, plant and equipment other than construction in progress are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives, and after taking into account their estimated residual value, using the straight-line method.

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purpose. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets one ready for their intended use.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Prepaid lease payments

Prepaid lease payments represent lease prepayment paid for the right to use the land on which various plants and buildings are situated for a definite period, less accumulated amortisation. Amortisation of prepaid lease payments is calculated on a straight-line basis over the expected period of the rights.

Operating leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency (i.e. RMB) of that entity (foreign currency) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Retirement benefit costs

Payments to state-managed retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expenses represent the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the assets is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Intangible assets

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

When the Group has a right to charge for usage of concession infrastructure, (as a consideration for providing construction service in a service concession arrangement), it recognises an intangible asset at fair value upon initial recognition. The intangible asset is carried at cost less accumulated amortisation and any accumulated impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as revaluation decrease under that standard.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated balance sheet when the group entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified as financial assets at fair value through profit or loss (financial assets held for trading) and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

For The Year Ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial assets *(continued)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial assets, or, where appropriate, a shorter period.

Interest income is recognised on an effective interest basis.

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

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

At each balance sheet date subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade receivables, other receivables, amount due from a shareholder and bank balances and cash) carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy in impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimate future cash flows of the financial assets have been affected.

For loans and receivables, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty or it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial assets *(continued)*

Impairment of financial assets *(continued)*

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days and observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable and other receivable are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written-off are credited to profit or loss.

For financial assets measure at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decreases can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date of the impairment loss is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimate future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade and other payables, amount due to a related company and bank loan are subsequently measured at amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities and equity *(continued)*

Equity instruments

Equity instruments issued by the Group is recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, management makes various estimates and judgements estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future period.

The key source of estimation uncertainty that can significantly, affect the amounts recognised in the consolidated financial statements are disclosed below.

Recognition of sale of gas

Revenue for sales of gas includes an estimation of the gas supplied to the customers for each of the month end. The estimation is done mainly based on the past consumption records and recent consumption pattern of individual customers. Notwithstanding that the management reviews and revise the estimate, the actual consumption may be higher or lower than the estimates and this will affect the revenue recognised.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the group entities will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of bank loan (note 26), net of cash and cash equivalents and equity attributable to equity holders of the Company, comprising share capital, reserves and accumulated profits.

The management of the Group reviews the capital structure regularly. The Group considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through the payment of dividends, new share issues of the proposed public offering of the Company as well as the raise of bank loans.

6. FINANCIAL INSTRUMENTS

6a. Categories of financial instruments

	2008 **RMB'000**	2007 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**371,611**	174,197
Held for trading investments	**1,422**	—
Financial liabilities		
Amortised cost	**65,832**	64,550

6b. Financial risk management objectives and policies

The Group's principal financial instruments include trade receivables, other receivables, trade and other payables, amounts due from/(to) a shareholder and a related party, bank balances and bank loan. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The Group's principal financial assets are trade receivables, other receivables, bank balances and cash, amount due from a shareholder which represent the Group's maximum exposure to credit risk in relation to financial assets, details of which are disclosed in respective notes.

For The Year Ended 31 December 2008

6. FINANCIAL INSTRUMENTS *(continued)*

6b. Financial risk management objectives and policies *(continued)*

Credit risk *(continued)*

The Group's credit risk is primarily attributable to its trade and other receivables. In order to minimise the credit risk, the Group's management continuously monitors the level of exposure to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group is exposed to some concentration of credit risk on trade receivables. At 31 December 2008, the five largest debtors accounted for approximately RMB68,841,000 (59%) (2007: RMB51,525,000 (56%)), of the Group's total trade receivables. The Group delegate a team for determining the credit limits, credit approval and other monitoring procedures on customers, the Group had also explored new markets and new customers in order to minimise the concentration of credit risk.

The table below shows the carrying amount of 5 major debtors at the balance sheet date:

Counterparty	**Location**	**31.12.2008 Carrying amount RMB'000**	31.12.2007 Carrying amount RMB'000
Company A	The PRC	**44,852**	36,000
Company B	The PRC	**7,371**	—
Company C	The PRC	**6,965**	—
Company D	The PRC	**4,854**	—
Company E	The PRC	**4,799**	—
Company F	The PRC	**—**	4,449
Company G	The PRC	**—**	4,135
Company H	The PRC	**—**	3,885
Company I	The PRC	**—**	3,056

The above debtors were concentrated an property development business. The balance due from the respective debtors were within the credit limit granted by the Group and the debtors received good internal credit rating assessed by the Group.

The credit risk on bank balances and cash is limited because majority of the counterparties are state-owned banks with good reputation or banks with good credit rating.

Other than concentration of credit risk on liquid funds and certain trade receivables, the Group does not have any other significant concentration of credit risk. The remaining trade receivables consists of a large number of customers which spread across diverse industries.

The Group's geographical concentration of credit risk is totally in the PRC as at 31 December 2008 and 2007.

6. FINANCIAL INSTRUMENTS *(continued)*

6b. Financial risk management objectives and policies *(continued)*

Market risk

The Group's activities expose to the financial risks included currency risk, interest rate risk and other price risk.

There has been no change to Group's exposure to market risks or the manner in which it manages and measures the risk.

(i) *Currency risk*

Starting from the year of 2008, the Company has foreign currency bank balances, which expose the Group to foreign currency risk. Approximately 41% (HKD 113,855,000, equivalent to RMB100,409,000) of the Group's bank balances are denominated in Hong Kong dollar ("HKD"), a currency other than the functional currency of the Company (RMB). The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will enter into foreign exchange forward contracts to mitigate the foreign currency risk, if necessary.

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2007: N/A) increase and decrease in RMB against HKD. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. A positive number below indicates an increase in post-tax profit where RMB weaken 5% against HKD. For a 5% strengthening of RMB against HKD, there would be an equal and opposite impact on the profit, and the balances below would be negative.

	HKD **2008** RMB'000
Post-tax profit or loss	4,270

For The Year Ended 31 December 2008

6. FINANCIAL INSTRUMENTS *(continued)*

6b. Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk through the impact of changes on floating-interest bearing financial assets and liabilities, mainly bank loan at prevailing market interest rates. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the management will consider hedging significant interest rate risk should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates risks for variable-rate bank loan at the balance sheet date and assumed that the amount of assets and liabilities outstanding at the balance sheet date was outstanding for the whole year.

If interest rates on bank loan had been 50 basis points higher and all other variables were held constant, the Group's profit post-tax for the year would:

	2008	2007
	RMB'000	RMB'000
Decrease in post-tax profit for the year	**(113)**	(101)

If interest rate of bank loan had been 50 basis points lower, there would be an equal and opposite impact on the post-tax profit for the year.

(iii) Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities. The Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks at the reporting date.

If the prices of the respective equity instruments had been 10% (2007: N/A) higher/lower, post-tax profit for the year ended 31 December 2008 would increase/decrease by RMB142,000 (2007: N/A) as a result of the changes in fair value of the investments held-for-trading.

6. FINANCIAL INSTRUMENTS *(continued)*

6b. Financial risk management objectives and policies *(continued)*

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriated liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves of cash and banking facilities and by continuously monitoring forecast, actual cash flows and matching the maturity profiles of financial liabilities.

The Group's holdings of cash and short-term deposits, together with net cash flow from operations, are expected to be sufficient to cover the operating cost of the Group in the next financial year. The management considers that the Group expects to have adequate source of funding to finance the Group and manage the liquidity position.

The following tables details the remaining contractual maturity for the financial liabilities of the Group as at 31 December 2008. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables includes both interest and principal cash flows.

	Weighted average effective interest rate	Less than 3 months	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000
Non-derivative financial liabilities				
As at 31 December 2008				
Trade and other payables	–	35,757	35,757	35,757
Bank loan	7.47	30,075	30,075	30,000
Amount due to a related party	–	75	75	75
		65,907	65,907	65,832
As at 31 December 2007				
Trade and other payables	–	34,054	34,054	34,054
Bank loan	7.29	30,074	30,074	30,000
Amount due to a related party	–	496	496	496
		64,624	64,624	64,550

6. FINANCIAL INSTRUMENTS *(continued)*

6c. Fair value of financial instruments

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices; and

- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values at the balance sheet date.

7. TURNOVER AND SEGMENT INFORMATION

(a) Turnover represents construction contract revenue from gas connection contracts, net of business and related tax and surcharges, revenue from sales of piped gas and gas appliances, net of value added tax, and construction contract revenue from construction of gas pipeline infrastructure during the year.

7. TURNOVER AND SEGMENT INFORMATION *(continued)*

(b) Business segments

For management purposes, the Group has been 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 has an additional division to account for construction contract income and costs from construction of gas pipeline infrastructure.

Year ended 31 December 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	135,059	6,450	74,381	1,279	217,169
Segment result before depreciation/amortisation	91,983	586	11,190	(20)	103,739
Depreciation/amortisation	–	–	(6,768)	–	(6,768)
Segment result	91,983	586	4,422	(20)	96,971
Unallocated other income					10,464
Unallocated corporate expenses					(23,422)
Finance costs					(2,260)
Share of result of an associate					(28)
Profit before tax					81,725
Income tax expense					(21,385)
Profit for the year					60,340

For The Year Ended 31 December 2008

7. TURNOVER AND SEGMENT INFORMATION *(continued)*

(b) Business segments *(continued)*

Year ended 31 December 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	137,477	5,808	35,200	386	178,871
Segment result before depreciation/amortisation	104,086	528	5,976	88	110,678
Depreciation/amortisation	–	–	(6,130)	–	(6,130)
Segment result	104,086	528	(154)	88	104,548
Unallocated other income					3,839
Unallocated corporate expenses					(11,666)
Finance costs					(2,406)
Profit before tax					94,315
Income tax expense					(31,980)
Profit for the year					62,335

Segment information about these businesses are presented below:

	Gas connection		Sales of piped gas		Unallocated		Total	
	2008 RMB'000	2007 RMB'000	**2008 RMB'000**	2007 RMB'000 (restated)	**2008 RMB'000**	2007 RMB'000 (restated)	**2008 RMB'000**	2007 RMB'000 (restated)
Depreciation of property, plant and equipment	**–**	–	**857**	799	**1,598**	1,884	**2,455**	2,683
Amortisation of intangible assets	**–**	–	**5,911**	5,331	**–**	–	**5,911**	5,331
Amortisation of prepaid lease payment	**–**	–	**–**	–	**147**	147	**147**	147
Additions of property, plant and equipment	**–**	–	**8,006**	259	**7,169**	2,797	**15,175**	3,056
Additions of intangible assets	**–**	–	**87,252**	7,918	**–**	–	**87,252**	7,918
Allowances for bad and doubtful debts	**10,787**	1,639	**–**	–	**770**	1,101	**11,557**	2,740
Gain (loss) on disposal of property, plant and equipment	**–**	–	**–**	–	**278**	(70)	**278**	(70)

7. TURNOVER AND SEGMENT INFORMATION *(continued)*

(b) Business segments *(continued)*

An analysis of the Group's total assets and liabilities by business segment is as follows:

	2008 RMB'000	2007 RMB'000 (restated)
Segment assets		
Gas connection	**120,485**	93,477
Construction of pipelines infrastructure	**13,596**	12,241
Sales of piped gas	**232,871**	150,520
Sales of gas appliances	**256**	539
Interest in an associate	**7,677**	—
Unallocated corporate assets	**298,612**	113,583
	673,497	370,360
Segment liabilities		
Gas connection	**30,071**	30,661
Construction of pipelines infrastructure	**1,185**	102
Sales of piped gas	**—**	—
Sales of gas appliances	**—**	—
Unallocated corporate liabilities	**52,802**	62,098
	84,058	92,861

During the year, the Group had carried out gas connection contract work with revenue of approximately RMB39 million (2007: RMB53 million) 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 ("天津燃氣"), a substantial shareholder of the Company, to its own customers.

(c) Geographical segment

The Group's operations are all located in the PRC and all its revenue are earned from customers located in the PRC. Accordingly, no geographical segment analysis is presented.

8. OTHER INCOME

	2008 RMB'000	2007 RMB'000
Value added tax refund	**7,476**	3,424
Bank interest income	**2,704**	355
Gain on disposal of property, plant and equipment	**278**	—
Gain on disposal a subsidiary	**6**	—
Others	**—**	60
	10,464	3,839

For The Year Ended 31 December 2008

9. FINANCE COSTS

	2008	2007
	RMB'000	RMB'000
Interest on bank borrowing wholly repayable within five years	**2,260**	2,406

10. INCOME TAX EXPENSE

	2008	2007
	RMB'000	RMB'000
		(restated)
The charge comprises:		
PRC Enterprise Income Tax	**24,153**	32,030
Deferred tax (note 28)		
— current year	**(2,768)**	107
— attributable to a change in tax rate	**—**	(157)
	21,385	31,980

The Company and its subsidiaries are subject to PRC Enterprise Income Tax rate of 25% for the year (2007: 33%).

On 16 March 2007, the PRC promulgated the Law of the PRC 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 Regulation of the New Law. Under the New Law and Implementation Regulation, the Enterprise Income Tax rate of the Group was reduced from 33% to 25% from 1 January 2008 onwards.

The subsidiaries did not have taxable profit for the year.

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. INCOME TAX EXPENSE *(continued)*

The tax charge for the year can be reconciled to the profit before tax per the consolidated income statement as follows:

	2008 RMB'000	2007 RMB'000 (restated)
Profit before tax	**81,725**	94,315
Tax at the domestic income tax rate	**20,431**	31,124
Tax effect of expenses that are not deductible in determining taxable profit	**954**	1,013
Decrease in opening deferred tax liability resulting from a decrease in applicable tax rate	**–**	(157)
Tax expense for the year	**21,385**	31,980

11. PROFIT FOR THE YEAR

	2008 RMB'000	2007 RMB'000 (restated)
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**629**	662
Staff costs including directors' and supervisors' remuneration	**3,172**	2,661
Depreciation of property, plant and equipment	**2,455**	2,683
Amortisation of intangible assets (included in cost of sales)	**5,911**	5,331
(Gain) loss on disposal of property, plant and equipment	**(278)**	70
Amortisation of prepaid lease payments (included in administrative expense)	**147**	147
Loss on changes in fair value of held for trading investments	**207**	—
Operating lease rentals in respect of rented premises	**529**	582
Allowances for bad and doubtful debts	**11,557**	2,740
Cost of gas purchased	**62,258**	28,556
Net foreign exchange losses	**6,281**	2

For The Year Ended 31 December 2008

12. DIVIDEND PROPOSED

A final dividend of RMB1.5 cents (2007:Nil) per share has been proposed by the directors and is subject to approval by the shareholders in general meeting.

13. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the year attributable to the equity holders of the parent of RMB60,475,000 (2007: RMB62,335,000) and the weighted average number shares of 1,119,186,885 (2007: 995,000,000 shares) in issue during the year.

No diluted earnings per share has been presented as the Company had no outstanding potential shares during both year or at the balance sheet dates.

14. DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Directors and supervisors

Details of remuneration paid to the directors and supervisors during the year are as follows:

	2008 **RMB'000**	2007 RMB'000
Fees	**750**	750
Salaries and other benefits	**92**	90
Retirement benefit scheme contributions	**14**	12
	856	852

14. DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES *(continued)*

Directors and supervisors *(continued)*

Fees analysed into:

	2008 RMB'000	2007 RMB'000
Bai Shaoliang	**50**	50
Cao Shujing	**50**	50
Chang Jian (note)	**—**	25
Chan Shun Kuen, Eric	**100**	100
Dong Huiqiang	**50**	50
Gong Jing	**50**	50
Hao Li	**50**	25
Jin Jianping	**50**	50
Luo Weikun	**50**	50
Ma Junlu (note)	**—**	25
Qi Yinfeng	**50**	50
Sha Jincheng	**50**	50
Sun Boquan	**50**	50
Sun Xuegang	**50**	25
Tang Jie	**50**	50
Zhang Qi (note)	**—**	25
Zhang Yuli	**50**	25
	750	750

Note: Being resigned on 25 June 2007.

Employees

The five highest paid employees in the Group for the year ended 31 December 2008 included one supervisor (2007: one supervisor). The details of the remuneration of the remaining four highest paid employees for 2008 (2007: four) are as follows:

	2008 RMB'000	2007 RMB'000
Salaries and other benefits	**659**	479
Retirement benefit scheme contributions	**—**	—
	659	479

Their emoluments are within the following band:

	2008	2007
Nil-RMB881,900 (2007: Nil to RMB936,400) (equivalent to HK$1,000,000)	**4**	4

For The Year Ended 31 December 2008

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Pipelines RMB'000	Machinery RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2007							
as originally stated	30,178	135,201	20,538	2,511	4,619	16,031	209,078
Effect of changes in							
accounting policies	–	(135,201)	–	–	–	(14,349)	(149,550)
At 1 January 2007							
as restated	30,178	–	20,538	2,511	4,619	1,682	59,528
Additions	2,254	–	259	30	–	513	3,056
Reclassification	375	–	264	–	–	(639)	–
Disposal	–	–	–	(101)	–	–	(101)
At 31 December 2007	32,807	–	21,061	2,440	4,619	1,556	62,483
Additions	832	–	8,006	242	1,845	4,250	15,175
Reclassification	–	–	3,530	–	–	(3,530)	–
Disposal of a subsidiary	–	–	–	(10)	–	(363)	(373)
Disposal	–	–	–	(371)	(1,750)	–	(2,121)
At 31 December 2008	**33,639**	**–**	**32,597**	**2,301**	**4,714**	**1,913**	**75,164**
DEPRECIATION AND AMORTISATION							
At 1 January 2007							
as originally stated	2,235	17,555	1,247	671	2,829	–	24,537
Effect of changes in							
accounting policies	–	(17,555)	–	–	–	–	(17,555)
At 1 January 2007							
as restated	2,235	–	1,247	671	2,829	–	6,982
Provided for the year	731	–	799	386	767	–	2,683
Disposal	–	–	–	(23)	–	–	(23)
At 31 December 2007	2,966	–	2,046	1,034	3,596	–	9,642
Provided for the year	763	–	857	313	522	–	2,455
Disposal	–	–	–	(350)	(1,568)	–	(1,918)
At 31 December 2008	**3,729**	**–**	**2,903**	**997**	**2,550**	**–**	**10,179**
CARRYING VALUES							
At 31 December 2008	**29,910**	**–**	**29,694**	**1,304**	**2,164**	**1,913**	**64,985**
At 31 December 2007							
(as restated)	29,841	–	19,015	1,406	1,023	1,556	52,841

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

The above items of property, plant and equipment other than construction in progress are depreciated, after taking into accounts their residual value on a straight-line basis at the following rate per annum:

Buildings	Over the shorter of the term of lease or 40 years
Machinery	10 — 25 years
Furniture, fixtures and equipment	5 — 8 years
Motor vehicles	5 years

The buildings are situated in the PRC and are situated on land held under medium-term land use rights.

At 31 December 2008, the Group is in the process of applying title certificates for certain buildings with a carrying value of approximately RMB4.1 million (2007: RMB4.2 million).

16. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise:

	2008 RMB'000	2007 RMB'000
Leasehold land outside Hong Kong:		
medium-term lease	**5,315**	5,462
Analysed for reporting purpose as:		
Current portion (included in deposits, prepayment and other receivables)	**147**	147
Non-current portion	**5,168**	5,315
	5,315	5,462

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

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

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17. INTANGIBLE ASSETS

	Right for distribution of gas RMB'000
COST	
At 1 January 2007 as originally stated	—
Effects of changes in accounting policies	135,201
At 1 January 2007 as restated	135,201
Additions	7,918
At 31 December 2007	143,119
Additions	87,252
At 31 December 2008	**230,371**
AMORTISATION	
At 1 January 2007 as originally stated	—
Effects of changes in accounting policies	17,555
At 1 January 2007 as restated	17,555
Provided for the year	5,331
At 31 December 2007	22,886
Provided for the year	5,911
At 31 December 2008	**28,797**
CARRYING VALUES	
At 31 December 2008	**201,574**
At 31 December 2007 (restated)	120,233

The intangible assets represent the right for distribution of gas in certain districts in the PRC, and has finite useful lives. Such intangible assets are amortised on a straight-line basis over a period of 25 years. The price of selling the gas is regulated by the PRC Government price bureau.

18. CONTRACT WORK IN PROGRESS

Contract work in progrss included contract costs incurred plus recognised profits of RMB13,596,000 (2007: RMB12,241,000). The amount was reclassified from construction in progress plus the recognised profits upon the adoption of HK(IFRIC)-INT 12.

19. INTEREST IN AN ASSOCIATE

During the year, the Group established a 51% non wholly-owned subsidiary, 貴州津維礦業投資有限公司 ("貴州津維") in the PRC which is engaged in mining business. In December 2008, the Group disposed of 2% equity interest in 貴州津維 to a minority shareholder of 貴州津維 at a consideration of RMB320,000. Subsequent to this disposal, the Group's interest in 貴州津維 was reduced from 51% to 49% and 貴州津維 then became an associate of the Group. The gain on disposal of the Group's interest in 貴州津維 amounted to approximately RMB6,000 (details of these are set out in note 32).

	RMB'000
Cost of investment in an associate, unlisted	7,705
Share of post-acquisition loss	(28)
	7,677

Details of 貴州津維 are stated as follows:

Name of entity	Place of registration and operation	Registered capital	Proportion of nominal value of registered capital held by the Group	Principal activity
貴州津維	PRC	RMB16,000,000	49%	Mining business

The summarised financial information in respect of the Group's associate is set out below:

	2008 HK$'000
Total assets	**15,704**
Total liabilities	**(35)**
Net assets	**15,669**
Group's share of net assets of associates	**7,677**
Revenue	**–**
Loss for the period since its incorporation	**(56)**
Group's share of result of associates for the year	**(28)**

For The Year Ended 31 December 2008

20. INVENTORIES

	2008 RMB'000	2007 RMB'000
Gas appliances	**256**	539
Gas	**81**	40
Spare parts and consumables	**369**	399
	706	978

21. TRADE RECEIVABLES/DEPOSITS, PREPAYMENT AND OTHER RECEIVABIES

	2008 RMB'000	2007 RMB'000
Trade receivables	**129,652**	93,620
Less: impairment loss recognised	**(12,902)**	(2,115)
Net trade receivables	**116,750**	91,505
Other receivables	**3,467**	3,483
Less: impairment loss recognised	**(2,743)**	(1,973)
Total other receivables	**724**	1,510
Deposits and prepayment	**3,761**	4,421
	4,485	5,931

Movement in impairment loss recognised:

	2008 RMB'000	2007 RMB'000
Trade receivables:		
Balance at beginning of the year	**2,115**	476
Amounts provided during the year	**10,787**	1,639
Balance at end of the year	**12,902**	2,115
Other receivables:		
Balance at beginning of the year	**1,973**	872
Amounts provided during the year	**770**	1,101
Balance at end of the year	**2,743**	1,973

21. TRADE RECEIVABLES/DEPOSITS, PREPAYMENT AND OTHER RECEIVABIES *(continued)*

Included in the carrying amount of trade and other receivables as at 31 December 2008 was accumulated impairment loss of RMB12,902,000 (2007: RMB2,115,000) and RMB2,743,000 (2007: RMB1,973,000), respectively, most of which are past due for over one year as at the balance sheet date and with no subsequent settlement records.

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

Before accepting any new customer, the Group will assess credit worthiness by customer. As the customers are mostly the real estate developers, therefore based on the past history, the collectability is expected.

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB33 million (2007: RMB27 million) which are past due at the reporting date for which the Group has not provided for impairment loss as the debtors received high internal credit rating. The credit risk on accounts receivable neither past due nor impaired arising from the ordinary course of business is limited because the counterparties have no default payment history. The Group does not hold any collateral over these balances.

At 31 December 2008, retentions held by customers for completed contract works amounted to RMB19,706,000 (2007: RMB 13,538,000). Included in the balance, RMB3,600,000 (2007: RMB7,398,000) is expected to be settled more than twelve months after the balance sheet date.

Aging of trade receivables which are past due but not impaired:

	2008 **RMB'000**	2007 RMB'000
91-180 days	**6,424**	17,058
181-270 days	**5,857**	3,673
271-365 days	**300**	1,313
Over 365 days	**20,218**	4,500
	32,799	26,544

The aged analysis of trade debtors net of allowance is as follows:

	2008 **RMB'000**	2007 RMB'000
0 — 90 days	**66,097**	57,770
91 — 180 days	**16,619**	21,149
181 — 270 days	**7,626**	4,937
271 — 365 days	**490**	1,467
Over 365 days	**25,918**	6,182
	116,750	91,505

For The Year Ended 31 December 2008

22. AMOUNTS DUE FROM (TO) A SHAREHOLDER/A RELATED PARTY

The amounts were incurred through operating activities and were unsecured, interest-free and repayable on demand. Details of the balances are set out in note 33 (a). Both the amount due from a shareholder and amount due to a related party were aged within 90 days at the balance sheet date. The balances have been fully settled subsequently to the balance sheet date.

23. HELD FOR TRADING INVESTMENTS

Held for trading investments represent investments in equity securities listed in the PRC and stated at quoted market bid price.

24. BANK BALANCES AND CASH

Bank balances carry interest at market rate at 0.36% (2007:0.72%) per annum.

25. TRADE AND OTHER PAYABLES

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

	2008 **RMB'000**	2007 RMB'000
0 — 90 days	**22,929**	14,768
91 — 180 days	**3,130**	8,499
181 — 270 days	**1,586**	3,494
271 — 365 days	**610**	—
Over 365 days	**759**	316
	29,014	27,077

26. BANK LOAN

	2008 **RMB'000**	2007 RMB'000
Unsecured bank loan	**30,000**	30,000

The above loan was unsecured, carried interest at floating rate of 7.47% (2007: 7.29%) per annum. The loan was guaranteed by 天津燃氣, a shareholder of the Company.

27. SHARE CAPITAL

	Number of shares		Registered, issued and fully paid
	Domestic Shares	**H Shares**	RMB'000
Shares of RMB0.1 each			
At 1 January 2007 and 31 December 2007	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	—
At 31 December 2008	**649,540,000**	**500,060,000**	**114,960**

During the year, 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. The H shares and Domestic Shares rank pari passu in all respects.

28. DEFERRED TAXATION

The following is the major deferred taxation recognised and movements thereon during the year:

	Provision for bad and doubtful debts RMB'000	Accelerated tax depreciation RMB'000	Service concession arrangement RMB'000	Total RMB'000
At 1 January 2007	—	646	—	646
Change in tax rate	—	(157)	—	(157)
Charge (credit) for the year	—	(25)	132	107
At 31 December 2007	—	464	132	596
Charge (credit) for the year	(2,889)	(24)	145	(2,768)
At 31 December 2008	(2,889)	**440**	**277**	**(2,172)**

For the purpose of balance sheet presentation, certain deferred tax assets and liabilities have been offset, the following is the analysis of the deferred tax balance for financial reporting purpose:

	2008 **RMB'000**	2007 RMB'000
Deferred tax assets	**2,889**	—
Deferred tax liabilities	**(717)**	(596)
	2,172	(596)

For The Year Ended 31 December 2008

29. OPERATING LEASE COMMITMENTS

As lessee

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2008 **RMB'000**	2007 RMB'000
Within one year	**464**	420
In the second year	**396**	32
	860	452

The leases are negotiated for an average term of one to two years with fixed monthly rentals.

30. COMMITMENTS

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

	2008 **RMB'000**	2007 RMB'000
Capital expenditure authorised but not contracted for in respect of acquisition of property, plant and equipment	**23,379**	29,163

In addition to the above, on 6 October 2008, the Company entered into an agreement with 天津燃氣, pursuant to which the Company entrusted 天津燃氣 to construct certain construction projects of the Company. The construction fees of the projects will be approximately RMB217,962,000. The Company also undertakes to pay 天津燃氣 entrustment fees not exceeding RMB6,538,700. The transaction has been approved by the independent shareholders at the extraordinary general meeting held on 23 March 2009.

31. RETIREMENT BENEFIT SCHEME

As stipulated in the rules and regulations in the PRC, the Group contributes to the retirement benefit scheme managed by a local social security bureau in the PRC. The Group contributes a certain percentage of basic salaries of its employees to the retirement plan, and has no further obligation for the actual payment of the previous or post retirement benefit. The retirement benefit scheme is responsible for the entire present obligation to retired employees.

During the year, the retirement benefit scheme contributions amounted to RMB285,000 (2007: RMB163,000).

32. DISPOSAL OF A SUBSIDIARY

As detailed in note 19, following the disposal of the Group's 2% equity interest in 貴州津維, 貴州津維 became the associate to the Group on 1 December 2008. The net assets of 貴州津維 at the date of disposal of that 2% equity interest was as follows:

	1 December 2008 RMB'000
Net assets disposed of:	
Property, plant and equipment	**373**
Deposits, prepayment and other receivables	**13,281**
Bank balances and cash	**2,082**
Trade and other payables	**(12)**
	15,724
Minority interests	**(7,705)**
	8,019
Transfer to interest in an associate	**(7,705)**
	314
Gain on disposal	**6**
Total consideration, satisfied by cash	**320**
Net cash outflow arising on disposal:	
Cash consideration	**320**
Bank balances and cash disposed of	**(2,082)**
	(1,762)

For The Year Ended 31 December 2008

33. RELATED PARTY TRANSACTIONS/BALANCES

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

Name of related party	Relationship	Nature of transactions	2008 RMB'000	2007 RMB'000
天津燃氣 (Note i)	Shareholder	Purchase of gas	**61,259**	28,524
		Purchase of property, plant and equipments	**7,360**	–
		Purchase of the right for distribution of gas	**82,156**	–
		Entrusted management fee (Note ii)	**–**	71
		Amount due from a shareholder	**9,281**	11,230
天津市煤氣工程設計院 (Note iii)	Related party	Construction design fee	**172**	496
		Amount due to a related party	**75**	496

Notes:

(i) 天津燃氣 is the substantial shareholder of the Company.

(ii) In 2007, the Company entrusted 天津燃氣 to manage certain assets of the Company. A entrusted management fee was paid to 天津燃氣.

(iii) 天津市煤氣工程設計院 is a wholly owned subsidiary of 天津燃氣.

(b) Material transactions and balances with other state-owned enterprises 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 天津燃氣 which is controlled by the PRC government (these enterprises other than 天津燃氣 are hereinafter collectively referred to as "State-Owned Enterprises"). During the year, 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 rather than all the transactions refere to in 33(a) during the year as follows:

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

(b) Material transactions and balances with other state-owned enterprises in the PRC *(continued)*

(i) Material transactions

	2008 RMB'000	2007 RMB'000
Gas connection income	**45,380**	40,801
Service fee paid for gas construction	**23,796**	28,183
Interest income	**2,704**	355
Interest expenses	**2,260**	2,406

(ii) Material balances

	2008 RMB'000	2007 RMB'000
Bank balances	**244,586**	69,949
Trade and other receivables	**57,862**	38,577
Trade and other payables	**22,014**	26,383
Bank loans	**30,000**	30,000

(c) Guarantee

At 31 December 2008 and 2007, the bank loan of RMB30,000,000 was guaranteed by 天津燃氣.

For The Year Ended 31 December 2008

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

(d) Compensation of key management personnel

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

	2008 **RMB'000**	2007 RMB'000
Short-term benefit	**1,501**	1,319
Post employment benefit	**14**	12
	1,515	1,331

34. SUBSIDIARIES

Details of the Company's subsidiaries at 31 December 2008 and 2007 are as follows:

Name	Place of registration and operation	Registered capital	Proportion of registered capital held directly by the Company	Principal activities
烏盟乾生天聯公用事業有限責任公司 (Note i)	PRC	RMB1,000,000	60%	Dormant
天聯投資有限公司 (Note ii)	PRC	RMB20,000,000	100%	Investment

Note:

(i) The subsidiary is dormant and has commenced the procedure of deregistration. Up to the date of this report, the above deregistration has not been finished.

(ii) Being newly set up by the Company during the year.

(iii) Both subsidiaries of the Company are limited liability companies established in the PRC.

Five Year Financial Summary

RESULTS

	For the year ended 31 December				
	2008	2007	2006	2005	2004
	RMB'000	RMB'000 (restated)	RMB'000	RMB'000	RMB'000
Turnover	**217,169**	178,871	93,702	45,975	37,378
Profit before taxation	**81,725**	94,315	43,553	4,822	9,179
Income tax expense	**(21,385)**	(31,980)	(15,125)	(2,908)	(4,680)
Profit before minority interests	**60,475**	62,335	28,428	1,914	4,499
Minority interests	**(135)**	—	—	178	400
Profit for the year	**60,340**	62,335	28,428	2,092	4,899

ASSETS AND LIABILITIES

	At 31 December				
	2008	2007	2006	2005	2004
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**673,497**	370,360	281,670	253,580	254,537
Total liabilities	**84,058**	92,861	(66,506)	(66,844)	(69,893)
Minority interest	**—**	—	—	—	—
Shareholders' funds	**589,439**	277,499	215,164	186,736	184,644