

# 2010

INTERIM 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 Republic of China with limited liability)*

Stock Code: 8290

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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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: the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or in this report misleading.*

## Highlights

- Revenue of approximately RMB165,733,000 for the six months ended 30 June 2010.
- Gross profit of approximately RMB40,372,000 for the six months ended 30 June 2010.
- Net profit of approximately RMB26,723,000 for the six months ended 30 June 2010.

## Results

The board of directors (the “Board”) of Tianjin Tianlian Public Utilities Company Limited (the “Company”) is pleased to present the unaudited results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2010 together with the unaudited comparative figures for the six months ended 30 June 2009 as follows:

### Condensed Consolidated Statement of Comprehensive Income

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	NOTES	Three months ended		Six months ended	
		30 June 2010 RMB'000 (unaudited)	30 June 2009 RMB'000 (unaudited)	30 June 2010 RMB'000 (unaudited)	30 June 2009 RMB'000 (unaudited)
Revenue	4 & 5	<b>84,886</b>	64,277	<b>165,733</b>	136,683
Cost of sales		<b>(61,212)</b>	(44,850)	<b>(125,361)</b>	(101,435)
Gross profit		<b>23,674</b>	19,427	<b>40,372</b>	35,248
Other income	6	<b>2,715</b>	2,809	<b>3,279</b>	4,155
Other gains and losses		<b>(497)</b>	913	<b>(295)</b>	1,276
Selling expenses		<b>(6)</b>	(6)	<b>(13)</b>	(13)
Administrative expenses		<b>(3,537)</b>	(4,410)	<b>(7,280)</b>	(7,651)
Share of results of associates		<b>504</b>	76	<b>834</b>	76
Finance costs	7	<b>(536)</b>	(537)	<b>(1,062)</b>	(1,007)
Profit before tax	8	<b>22,317</b>	18,272	<b>35,835</b>	32,084
Income tax expense	9	<b>(5,281)</b>	(4,872)	<b>(9,112)</b>	(8,477)
Profit for the period and total comprehensive income for the period		<b>17,036</b>	13,400	<b>26,723</b>	23,607
Profit and total comprehensive income for the period attributable to owners of the Company		<b>17,036</b>	13,400	<b>26,723</b>	23,607
Earnings per share					
— basic (RMB cents)	11	<b>1.48</b>	1.17	<b>2.32</b>	2.05

## Condensed Consolidated Statement of Financial Position

AS AT 30 JUNE 2010

	NOTES	30 June 2010 RMB'000 (unaudited)	31 December 2009 RMB'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	12	243,791	234,025
Prepaid lease payments	13	4,948	5,021
Intangible assets	14	202,971	207,540
Contract work in progress		6,623	3,824
Interests in associates		18,166	17,332
Prepayment		155	162
Deferred tax assets		2,889	2,889
Trade receivable	15	5,651	—
		<b>485,194</b>	470,793
<b>Current assets</b>			
Inventories		660	417
Trade receivables	15	41,279	69,673
Deposits, prepayment and other receivables		2,085	3,526
Amount due from a shareholder	16	43,905	830
Held for trading investments		1,814	1,613
Short-term bank deposits with original maturity more than three months		2,000	2,000
Bank balances and cash		184,831	187,081
		<b>276,574</b>	265,140

	NOTES	<b>30 June 2010 RMB'000 (unaudited)</b>	31 December 2009 RMB'000 (audited)
Current liabilities			
Trade and other payables	17	<b>40,539</b>	33,114
Dividend payable		<b>9,743</b>	9,743
Income tax payable		<b>5,293</b>	12,876
Borrowings	18	<b>40,000</b>	40,000
Amount due to a related party	21	<b>43</b>	825
		<b>95,618</b>	96,558
Net current assets		<b>180,956</b>	168,582
Total assets less current liabilities		<b>666,150</b>	639,375
Capital and reserves			
Share capital	19	<b>114,960</b>	114,960
Share premium and reserves		<b>550,325</b>	523,602
Equity attributable to owners of the Company		<b>665,285</b>	638,562
Non-current liability			
Deferred tax liabilities		<b>865</b>	813
		<b>666,150</b>	639,375

## Condensed Consolidated Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Attributable to owners of the Company					Total RMB'000
	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	
At 1 January 2009 (audited)	114,960	267,672	16,980	3,071	186,756	589,439
Profit for the period and total comprehensive income for the period	—	—	—	—	23,607	23,607
Dividends recognised as distribution (note 10)	—	—	—	—	(17,244)	(17,244)
Appropriation	—	—	6,032	3,016	(9,048)	—
At 30 June 2009 (unaudited)	114,960	267,672	23,012	6,087	184,071	595,802
Profit for the period and total comprehensive income for the period	—	—	—	—	42,760	42,760
At 31 December 2009 (audited)	114,960	267,672	23,012	6,087	226,831	638,562
At 1 January 2010 (audited)	114,960	267,672	23,012	6,087	226,831	638,562
Profit for the period and total comprehensive income for the period	—	—	—	—	26,723	26,723
Appropriation	—	—	6,628	3,314	(9,942)	—
At 30 June 2010 (unaudited)	114,960	267,672	29,640	9,401	243,612	665,285

### (i) Basis of appropriation of reserves

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

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

## Condensed Consolidated Statement of Cash Flows

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	<b>Six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
<b>Operating activities</b>		
Net cash from operating activities	<b>10,251</b>	46,815
<b>Investing activities</b>		
Acquisition of an associate	—	(8,778)
Purchase of property, plant and equipment	<b>(12,457)</b>	(2,659)
Payment for pipeline construction in progress	—	(130,777)
Purchase of intangible assets	<b>(312)</b>	(3,179)
Interest received	<b>268</b>	295
Net cash used in investing activities	<b>(12,501)</b>	(145,098)
<b>Financing activities</b>		
New borrowings raised	<b>40,000</b>	40,000
Repayment of borrowings	<b>(40,000)</b>	(30,000)
Net cash from financing activities	—	10,000
Net decrease in cash and cash equivalents	<b>(2,250)</b>	(88,283)
Cash and cash equivalents at 1 January	<b>187,081</b>	244,856
Cash and cash equivalents at 30 June	<b>184,831</b>	156,573
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	<b>184,831</b>	156,573



# Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2010

## 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 overseas listed foreign shares ("H Shares") were listed on the Growth Enterprises Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 9 January 2004. In June 2007, the Company transformed to a foreign invested joint stock limited company.

The principal activities of the Company are the operation and management of gas pipeline infrastructure and the sale and distribution of piped gas. One of the subsidiaries of the Company is dormant and has commenced the procedure of deregistration. Up to the date of this report, the deregistration has not been finished. The principal activities of another subsidiary of the Company are investment in an associates and listed securities.

The Company together with its subsidiaries are hereinafter collectively referred to as the Group.

## 2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the GEM Rules) and with Hong Kong Accounting Standard 34 (HKAS 34) "Interim Financial Reporting".

## 3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2009, except as described below.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations ("new or revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The Group applies HKFRS 3 (Revised) "Business Combinations" prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) "Consolidated and Separate Financial Statements" in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

### 3. PRINCIPAL ACCOUNTING POLICIES (continued)

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

The application of the other new and revised HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting period.

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010 <sup>1</sup>
HKAS 24 (Revised)	Related Party Disclosures <sup>4</sup>
HKAS 32 (Amendment)	Classification of Rights Issues <sup>2</sup>
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters <sup>3</sup>
HKFRS 9	Financial Instruments <sup>5</sup>
HK(IFRIC) — Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement <sup>4</sup>
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.

<sup>2</sup> Effective for annual periods beginning on or after 1 February 2010.

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2010.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2011.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2013.

The amendments to HKAS 24 “Related Party Disclosures” simplify the disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a government (referred to as government-related entities) and clarify the definition of a related party. The previous vision of HKAS 24 contained no specific exemption for government-related entities. As a result, the amendments to HKAS 24 provide a partial exemption from the disclosure requirements of HKAS 24 for government-related entities. Specifically, a reporting entity is exempted from the general disclosure requirements of HKAS 24 in relation to related party transactions and outstanding balances (including commitments) with: (i) a government that has control, joint control or significant influence over the reporting entity; and (ii) another entity that is related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity. The amendments to HKAS 24 also simplify the definition of a related party, clarify the intended meaning and eliminate a number of inconsistencies. The application of HKAS 24 might affect the disclosures of the Group’s related party transactions.

The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

#### 4. REVENUE

Revenue represents construction contract revenue from gas connection contracts, revenue from sales of piped gas and gas appliances, construction contract revenue from construction of gas pipeline infrastructure and gas transportation revenue, net of discount, during the period.

#### 5. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by operating segment for the period under review:

##### Three months ended 30 June 2010

	Gas connection	Gas transportation	Sales of piped gas	Sales of gas appliances	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue from external customers	22,626	940	59,835	1,485	84,886
Segment profit	16,394	294	7,198	(212)	23,674

##### Reconciliation of revenue

	RMB'000
Total segment revenue	84,886
Revenue from construction of gas pipeline infrastructure	—
Revenue	84,886

##### Reconciliation of segment profit

	RMB'000
Total segment profit	23,674
Share of results of associates	504
Other income	2,715
Other gains and losses	(497)
Corporate expense	(3,543)
Finance costs	(536)
Profit before tax	22,317

5. **SEGMENT INFORMATION** (continued)

Six-months ended 30 June 2010

	<b>Gas connection</b>	<b>Gas transportation</b>	<b>Sales of piped gas</b>	<b>Sales of gas appliances</b>	<b>Consolidated</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment revenue from external customers	32,992	2,550	125,459	1,620	162,621
Segment profit	23,697	1,275	14,832	312	40,116

**Reconciliation of revenue**

	RMB'000
Total segment revenue	162,621
Revenue from construction of gas pipeline infrastructure	3,112
Revenue	165,733

Six-months ended 30 June 2010

**Reconciliation of segment profit**

	RMB'000
Total segment profit	40,116
Profit from construction of gas pipeline infrastructure	256
Share of results of associates	834
Other income	3,279
Other gains and losses	(295)
Corporate expense	(7,293)
Finance costs	(1,062)
Profit before tax	35,835

## 5. SEGMENT INFORMATION (continued)

Three months ended 30 June 2009

	Gas connection RMB'000	Sales of piped gas RMB'000	Sales of gas appliances RMB'000	Consolidated RMB'000
Segment revenue from external customers	19,215	45,054	8	64,277
Segment profit	15,024	4,399	4	19,427

**Reconciliation of revenue**

	RMB'000
Total segment revenue	64,277
Revenue from construction of gas pipeline infrastructure	—
Revenue	64,277

**Reconciliation of segment profit**

	RMB'000
Total segment profit	19,427
Share of results of associates	76
Other income	2,809
Other gains and losses	913
Corporate expense	(4,416)
Finance costs	(537)
Profit before tax	18,272

## 5. SEGMENT INFORMATION (continued)

Six-months ended 30 June 2009

	Gas connection RMB'000	Sales of piped gas RMB'000	Sales of gas appliances RMB'000	Consolidated RMB'000
Segment revenue from external customers	32,219	99,759	14	131,992
Segment profit	24,930	9,911	6	34,847

**Reconciliation of revenue**

	RMB'000
Total segment revenue	131,992
Revenue from construction of gas pipeline infrastructure	4,691
Revenue	136,683

**Reconciliation of segment profit**

	RMB'000
Total segment profit	34,847
Profit from construction of gas pipeline infrastructure	401
Share of results of associates	76
Other income	4,155
Other gains and losses	1,276
Corporate expense	(7,664)
Finance costs	(1,007)
Profit before tax	32,084

For the three months ended 30 June 2010 and six months ended 30 June 2010, the Group had carried out gas connection contract work with revenue of RMB nil and approximately RMB3.9 million respectively, (three months ended 30 June 2009 and six months ended 30 June 2009: RMB nil and RMB7.5 million respectively) in certain areas in Tianjin, in which the gas supply is being separately provided by Tianjin Gas, a substantial shareholder of the Company, to its own customers.

## 5. SEGMENT INFORMATION *(continued)*

The accounting policies of the reportable segments are the same as the Group's accounting policies, Segment profit represents the gross profit earned by each segment without allocation of other income, other gains and losses, share of results of associates, corporate expenses and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

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

## 6. OTHER INCOME

	Three months ended 30 June		Six months ended 30 June	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Value added tax refund	2,615	2,709	3,011	3,860
Bank interest income	100	100	268	295
	<b>2,715</b>	2,809	<b>3,279</b>	4,155

## 7. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Interest on bank borrowings wholly repayable within five years	(536)	(537)	(1,062)	(1,007)

## 8. PROFIT BEFORE TAX

Profit before tax for the period has been arrived at after charging (crediting):

	Three months ended 30 June		Six months ended 30 June	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Depreciation of property, plant and equipment	1,347	709	2,691	1,422
Amortisation of intangible assets included in cost of sales	2,454	2,627	4,881	4,980
Amortisation of prepaid lease payments included in administrative expenses	37	34	73	67
Operating lease rentals in respect of rented premises	130	132	262	256
Net exchange (gain) loss (included in administrative expenses)	(9)	—	(9)	262
Bank interest income	(100)	(104)	(268)	(295)

## 9. INCOME TAX EXPENSE

	Three months ended 30 June		Six months ended 30 June	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
The charge comprises:				
Current PRC enterprise income tax	5,293	4,881	9,060	8,389
Deferred taxation	(12)	(9)	52	88
	5,281	4,872	9,112	8,477

The Company and a subsidiary are subject to the PRC Enterprise Income Tax rate of 25% for both periods of three and six months ended 30 June 2010 (three and six months ended 30 June 2009: 25%).

One of the subsidiaries did not have taxable profit for six months ended 30 June 2010 and 2009.

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

## 10. DIVIDEND

	Three months ended		Six months ended	
	30 June		30 June	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Final dividend of 0.015 cent for the year ended 31 December 2008 recognised as distribution during the interim period	—	17,244	—	17,244

No dividends were paid, declared or proposed during the six months ended 30 June 2010. The directors do not recommend the payment of an interim dividend.

## 11. EARNINGS PER SHARE

The calculation of the basic earnings per share for the three months ended 30 June 2010 and six months ended 30 June 2010 are based on the profit attributable to owners of the Company for the period of approximately RMB17,036,000 and RMB26,723,000 respectively, (profit attributable to owners of the Company for three months ended 30 June 2009 and six months ended 30 June 2009: RMB13,400,000 and RMB23,607,000 respectively) and the weighted average number of 1,149,600,000 shares (three months ended 30 June 2009 and six months ended 30 June 2009: 1,149,600,000 shares) in issue during the periods.

No diluted earnings per share have been presented as the Company had no dilutive potential ordinary shares during the period or at the end of the reporting period.

## 12. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred approximately RMB12,457,000 (six months ended 30 June 2009: RMB2,659,000) on acquisition of property, plant and equipment.

## 13. PREPAID LEASE PAYMENTS

	<b>30 June 2010 RMB'000</b>	31 December 2009 RMB'000
Leasehold land outside Hong Kong:		
Medium-term lease	<b>5,095</b>	5,168
Analysed for reporting purpose as:		
Current portion (included in deposits, prepayment and other receivables)	<b>147</b>	147
Non-current portion	<b>4,948</b>	5,021
	<b>5,095</b>	5,168

## 14. INTANGIBLE ASSETS

During the period, the Group incurred approximately RMB312,000 (six months ended 30 June 2009: RMB3,179,000) on acquisition of intangible assets.

The intangible assets represent the right for distribution of gas in certain district in the PRC, and have finite useful lives. Such intangible assets are amortised on a straight-line basis over its estimated useful lives.

## 15. TRADE RECEIVABLES

	<b>30 June 2010 RMB'000</b>	31 December 2009 RMB'000
Bills and trade receivables	<b>59,832</b>	82,575
less: Impairment loss recognised	<b>(12,902)</b>	(12,902)
	<b>46,930</b>	69,673
Analysed for reporting purposes as:		
Current assets	<b>41,279</b>	69,673
Non-current assets ( <i>Note</i> )	<b>5,651</b>	—
	<b>46,930</b>	69,673

*Note:* Pursuant to a repayment schedule signed by one of the customers in March 2010, the customer will settle its outstanding balance by instalment. The last instalment with amounting of RMB5,651,000 will be repaid in the third quarter of 2011.

## 15. TRADE RECEIVABLES (continued)

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

The aged analysis based on past due date of net trade debtors is as follows:

	<b>30 June 2010 RMB'000</b>	31 December 2009 RMB'000
0-90 days	<b>8,433</b>	21,698
91-180 days	<b>1,539</b>	—
181-270 days	<b>6,520</b>	1,959
271-365 days	<b>—</b>	3,006
Over 365 days	<b>30,438</b>	43,010
	<b>46,930</b>	69,673

## 16. AMOUNT DUE FROM A SHAREHOLDER

The amount was of trade nature, unsecured, interest free and with credit period of 90 days. The amount was aged within 90 days at the end of the reporting period.

## 17. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables with an aged analysis based on past due date as follows:

	<b>30 June 2010 RMB'000</b>	31 December 2009 RMB'000
0-90 days	<b>5,840</b>	16,976
91-180 days	<b>2,103</b>	301
181-270 days	<b>9,910</b>	90
271-365 days	<b>301</b>	—
Over 365 days	<b>849</b>	759
	<b>19,003</b>	18,126

## 18. BORROWINGS

	<b>30 June 2010 RMB'000</b>	31 December 2009 RMB'000
Unsecured bank loans	<b>40,000</b>	40,000

The above loans are unsecured, carried interest at floating rate of 5.31% (2009: 5.31%) per annum and will be repayable within next twelve months from the end of the reporting date.

## 19. SHARE CAPITAL

	<b>Number of shares</b>		<b>Registered, issued and fully paid</b>
	Domestic Shares	H Shares	RMB'000
Shares of RMB0.1 each			
Balance at 1 January and 30 June 2010	649,540,000	500,060,000	114,960

## 20. COMMITMENTS

At the end of the reporting date, the Group had the following commitments:

	<b>30 June 2010 RMB'000</b>	31 December 2009 RMB'000
Capital expenditure authorised but not contracted for in respect of acquisition of property, plant and equipment	<b>15,853</b>	18,397

On 16 September 2009, the Company entered into an asset acquisition agreement with Tianjin Gas, pursuant to which the Company conditionally agreed to acquire from Tianjin Gas part of the tangible assets and gas ancillary facilities held by the Hedong District Sales Offices and the Heping District Sales Offices of both the Transmissions Branch and the First Sales Branch of Tianjin Gas (both are branches of Tianjin Gas), including outdoor pipelines, at consideration of approximately RMB620,737,000. The Company will allot and issue new shares to Tianjin Gas to satisfy the above consideration. This transaction has not been completed up to the date these consolidated financial statements are authorised for issue.

## 20. COMMITMENTS (continued)

Pursuant to a conditional entrusted construction agreement dated 6 October 2008 entered between the Company and Tianjin Gas, in relation to the entrustment of Tianjin Gas for the construction of pipelines projects in Tianjin, with total consideration not exceeding RMB224,500,700 (include entrustment fees RMB6,538,700), the Group has paid construction fee amounting to RMB12,000,000 recognised as construction in progress of property, plant and equipment (six months ended 30 June 2009: 130,777,000) to Tianjin Gas during the six months ended 30 June 2010.

## 21. RELATED PARTY TRANSACTIONS/BALANCES

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

Name of related party	Nature of transactions	Three months ended 30 June		Six months ended 30 June	
		2010	2009	2010	2009
		RMB'000	RMB'000	RMB'000	RMB'000
Tianjin Gas (Note i)	Purchase of gas	48,269	35,643	100,987	80,121
	Construction fee paid	—	130,777	12,000	130,770
	Gas transportation income	940	—	2,550	—

Name of related party	Nature of balances	30 June	31 December
		2010	2009
		RMB'000	RMB'000
Tianjin Gas (Note i)	Amount due from a shareholder	43,905	830
天津市煤氣工程設計院(Note ii)	Amount due to a related party	43	825

Notes:

- (i) Tianjin Gas is the substantial shareholder of the Company.
- (ii) Amount due to 天津市煤氣工程設計院 which is a wholly owned subsidiary of Tianjin Gas is of construction design fee nature and is aged within 90 days.

## 21. RELATED PARTY TRANSACTIONS/BALANCES (continued)

## (b) Asset acquisition agreement

On 16 September 2009, the Company entered into an asset acquisition agreement with Tianjin Gas, pursuant to which the Company conditionally agreed to acquire from Tianjin Gas part of the tangible assets and gas ancillary facilities held by the Hedong District Sales Offices and the Heping District Sales Offices of both the Transmissions Branch and the First Sales Branch of Tianjin Gas (both are branches of Tianjin Gas), including outdoor pipelines, at consideration of approximately RMB620,737,000. The Company will allot and issue new shares to Tianjin Gas to satisfy the above consideration. This transaction has not been completed up to the date of this interim financial information is authorised for issue.

## (c) Compensation of key management personnel

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

	Three months ended 30 June		Six months ended 30 June	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Short-term benefit	226	352	796	691
Post employment benefit	1	5	4	8
	227	357	800	699

## Management Discussion and Analysis

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

### Business Review

For the six months ended 30 June 2010 (the “Period”), the Group reported a revenue of approximately RMB165,733,000, representing an increase of approximately 21.25% as compared with the first half year of 2009. The Group’s net profit for the first half year of 2010 amounted to approximately RMB26,723,000 (six months ended 30 June 2009: RMB23,607,000).

### Segmental Information Analysis

During the six months ended 30 June 2010, the Group has continued its formulated development strategies to provide piped gas connection to the users in the Group’s operational locations in Tianjin City and Jining, Inner Mongolia. Sales of piped gas is the major source of income for the Group, which is followed by gas connection, gas transportation and sales of gas appliances. The Group will further expand the operation in these four areas, in order to attain its strategic objectives for the remaining period of this year.

### Financial Resources

The Group is generally funded by equity financing and bank borrowings. As at 30 June 2010, the Group had unsecured bank borrowings of RMB40,000,000 from Industrial Bank Co., Ltd. The Group had no charge created on its assets.

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

The Group’s asset liability ratio (total liabilities to total asset rate) as at 30 June 2010 was approximately 12.67%.

### Contingent Liabilities

As at 30 June 2010, the Group had no material contingent liabilities or guarantees.

## Staff and Emolument Policy

As at 30 June 2010, the Group had a workforce of 86 full-time employees, among which approximately 99% were working in China.

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

## Proposed Joint Venture by Tianjin Gas

On 28 June 2010, the Board has been informed by 天津市燃氣集團有限公司 (Tianjin Gas Group Company Limited) ("Tianjin Gas"), a substantial shareholder and the single largest shareholder of the Company (which holds 253,809,687 domestic shares of the Company, representing approximately 22.08% of the total issued share capital of the Company), that Tianjin Gas and China Resources Gas Group Limited ("China Resources Gas (HK)") signed a cooperation agreement on the same date in connection with, inter alia, the proposed formation of the a joint venture company (the "Proposed JV") to be intended to be established in the PRC (the "Cooperation Agreement"). The Cooperation Agreement is not legally binding until the formal joint venture agreement relating to and the articles of association of the Proposed JV is signed. Pursuant to the Cooperation Agreement, Tianjin Gas and China Resources Gas (HK) intended to set up the Proposed JV in the PRC. Tianjin Gas and China Resources Gas (HK) would own 51% and 49% respectively of the registered capital of the Proposed JV, which was expected to be in the range between RMB4 billion and RMB5 billion (subject to internal approval of each of Tianjin Gas and China Resources Gas (HK)). Tianjin Gas would contribute its share of registered capital by way of injection of its natural gas-related operational assets (which include, inter alia, the shares of the Company held by Tianjin Gas) and China Resources Gas (HK) would contribute its share of registered capital by way of cash. It was intended that after establishment of the Proposed JV, all existing natural gas-related business of Tianjin Gas would be taken over by the Proposed JV. Each of Tianjin Gas and China Resources Gas (HK) agreed that each of them (including its controlled affiliates) and the Proposed JV (including listing company that it holds shares) would not compete with each other in the same industry and will not develop the same or competing business in the operational areas of the other parties. It was intended that the Proposed JV would use the Company as a public listing vehicle for consolidation of its natural gas and natural gas-related businesses and the assets and business of the Proposed JV would be injected into the Company, and Tianjin Gas and China Resources Gas (HK) undertook that after the establishment of the Proposed JV, the Proposed JV would ensure that the principal business of the Company shall not be changed. Tianjin Gas and China Resources Gas (HK) intended that the establishment of the Proposed JV would be completed in early November 2010.

For details, please refer to the Company's announcement dated 28 June 2010.

## Acquisition of Assets

On 16 September 2009, the Company entered into an assets acquisition Agreement (“Assets Acquisition Agreement”) with Tianjin Gas, pursuant to which the Company conditionally agreed to acquire from Tianjin Gas the Transferred Assets (as defined in the Company's announcement dated 5 October 2009) at the consideration of RMB620,736,991.84. The Company will allot and issue 689,707,800 domestic shares (the “Consideration Shares”) to Tianjin Gas to satisfy the above consideration.

On 16 September 2009, Tianjin Gas and the Company entered into the Gas Supply Contracts (as defined in the Company's announcement dated 5 October 2009) in respect of the supply of natural gas by Tianjin Gas to the Group for the period from the completion of the proposed assets transfer to 31 December 2009 and the two years ending 31 December 2011.

The Gas Supply Contracts are conditional on the completion of Assets Acquisition Agreement.

Tianjin Gas is one of the promoters of the Company and as at the date of the Acquisition Agreement held 253,809,687 domestic shares of the Company, representing approximately 22.08% shareholding of the Company. Therefore, Tianjin Gas is a substantial shareholder of the Company (as defined in the GEM Listing Rules). Pursuant to Rule 20.11(1) of the GEM Listing Rules, Tianjin Gas is also a connected person of the Company. Pursuant to Rule 20.13(1) of the GEM Listing Rules, the proposed assets transfer constitutes a connected transaction of the Company and, pursuant to Rule 20.14, the gas supply transaction constitutes a continuing connected transaction of the Company. Pursuant to Rule 20.35 of the GEM Listing Rules, the proposed assets transfer and the gas supply transaction is subject to the reporting, announcement and independent shareholders' approval requirements as set out in Rules 20.45 to 20.48 of the GEM Listing Rules. Tianjin Gas and its associates shall abstain from voting on the resolution(s) in relation to the proposed assets transfer and the gas supply transaction at the extraordinary general meeting and the class meeting to be convened by the Company.

As the applicable percentage ratios (as defined in the GEM Listing Rules) of the proposed assets transfer is higher than 100%, the proposed assets transfer constitutes a very substantial acquisition under Rule 19.06 of the GEM Listing Rules and is subject to shareholders' approval. As the proposed assets transfer (if completed) would also increase the shareholding of Tianjin Gas in the Company from approximately 22.08% to approximately 51.30%, it also constitutes a reverse takeover under Rule 19.06(6) of the GEM Listing Rules and the Company was treated as a new listing applicant if the proposed assets transfer proceeds. In this regard, a new listing application has been submitted to the Stock Exchange on 10 December 2009.

As mentioned, the proposed assets transfer (if completed) would increase the shareholding of Tianjin Gas in the Company from approximately 22.08% to approximately 51.30%. As such, the proposed assets transfer (if completed) would trigger an obligation on Tianjin Gas to make a mandatory general offer to acquire all the issued Shares other than those already held by Tianjin Gas pursuant to Rule 26 of the Takeovers Codes.

An application has been made by Tianjin Gas on 11 December 2009 to the executive director of the Corporate Finance Division of the Securities and Future Commission of Hong Kong (the "Executive") for the Whitewash Waiver pursuant to Note 1 of the Notes on dispensations from Rule 26 of the Takeovers Codes. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the independent shareholders at the extraordinary general meeting by way of poll. If the Whitewash Waiver is not granted by the Executive, the proposed assets transfer will not proceed.

A circular containing, inter alia, details of (i) the Assets Acquisition Agreement; (ii) a letter from the independent board committee of the Company containing its advice and recommendation to the independent shareholders in respect of the proposed assets transfer and the Whitewash Waiver; (iii) a letter from an independent financial adviser to the independent board committee of the Company and the independent shareholders containing its advice to the independent board committee of the Company and the independent shareholders in respect of the proposed assets transfer and the Whitewash Waiver; (iv) valuation report of the Transferred Assets prepared in compliance with Rule 11 of the Takeovers Codes; (v) valuation report of the enlarged Group's interest in land and buildings; (vi) the letter from the independent financial adviser in relation to their view on the qualification and experience of the valuer and the valuation report; (vii) notices of the extraordinary general meeting and the class meeting; and (viii) other information as required by the GEM Listing Rules has been scheduled to be despatched by the Company to the shareholders on a date no later than 31 October 2010.

Tianjin Gas will seek prior consent from the Corporate Finance Division of the Securities and Future Commission of Hong Kong for Tianjin Gas to enter into any legally binding agreement concerning the disposal of its shares in the Company, as contemplated in the aforesaid Cooperation Agreement or otherwise, before completion of the subscription of the Consideration Shares, which consent may or may not be obtained. As at the date of this announcement, Tianjin Gas has not yet applied for the aforesaid consent.

For details, please refer to the Company's announcements dated 5 October 2009 and 30 June 2010.

## PROSPECTS

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

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

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

- Focus on the balanced development of various gas-related businesses and make efforts to develop the piped gas market, including participating in the urban natural gas pipeline network projects in local areas by way of mergers or acquisitions.
- Continue to advance the research, evaluation, negotiation and other work related to existing projects, and ensure the fulfillment of the business objectives.
- Continue to strengthen the financial management of the Group. The Group also aims to continuously lower the operating costs and maximize the revenue from the operating projects.
- Further its efforts in personnel training and recruitment, facilitate the smooth operations and developments of the Group, develop positive corporate culture, and upgrade the management of the Company.

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

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

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

As at 30 June 2010, the interests and short positions of the Directors, chief executives and supervisors ("Supervisors") of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the required standard of dealings by Directors and Supervisors as referred to in Rule 5.46 of the GEM Listing Rules to be notified to the Company and the Stock Exchange were as follows:

### Long position

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

Name of Director/ Supervisor	Capacity	Number of Domestic Shares held	Approximate percentage of interests in the Company/ Domestic Shares of the Company
Ms. Tang Jie	Beneficial owner	41,700,000	3.63%/6.41%
Mr. Bai Shao Liang (please see Note 2 under the section "Substantial Shareholders")	Held by controlled corporation	235,925,000	20.52%/36.32%

Save as disclosed in the above paragraph, as at 30 June 2010, none of the Directors, chief executives and Supervisors of the Company had interests or short positions in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the required standard of dealings by Directors and Supervisors as referred to in Rule 5.46 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

## Substantial Shareholders and Other Shareholders

So far as known to the Directors, as at 30 June 2010, the following persons, not being a Director, chief executive or Supervisor of the Company, had interests or short positions in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and required to be recorded in the register kept by the Company pursuant to section 336 of the SFO:

### Substantial Shareholders

#### Long position

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

Name of Shareholder	Capacity	Number of Domestic Shares held	Approximate percentage of interests in the Company/ Domestic Shares of the Company
Tianjin Beacon Coatings Co., Ltd (Note 1) 天津燈塔塗料有限公司	Beneficial owner	118,105,313	10.27%/18.18%
Tianjin Gas Group Company Limited 天津市燃氣集團有限公司	Beneficial owner	943,517,487 (Note 2)	82.07%/145.26%
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 3) 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 3)	Family	235,925,000	20.52%/36.32%
Mr. Bai Shao Peng (Note 3)	Held by controlled corporation	235,925,000	20.52%/36.32%
Ms. Zhang Xiu Ying (Note 3)	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: Out of 943,517,487 domestic Shares, the interest in 689,707,800 domestic Shares derived from the Consideration Shares (as defined in the paragraph headed "ACQUISITION OF ASSETS" of this announcement).
- Note 3: Tianjin Wanshun Business Development Company Limited ("Wanshun Business Development") held 80% interest in Tianjin Wanshun Real Estate Company Limited ("Wanshun Real Estate"), and Mr. Bai Shao Liang held 34.40% and 20% interests in Wanshun Business Development and Wanshun Real Estate respectively and is the sole executive director of Wanshun Real Estate. Ms. Li Sha is the wife of Mr. Bai Shao Liang. Mr. Bai Shao Peng held 65.60% interests in Wanshun Business Development. Ms. Zhang Xiu Ying is the wife of Mr. Bai Shao Peng. Under the SFO, Wanshun Business Development, Mr. Bai Shao Liang, Ms. Li Sha, Mr. Bai Shao Peng and Ms. Zhang Xiu Ying are taken to be interested in all the shares of the Company held by Wanshun Real Estate.

## Other Shareholders

### Long position

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

Name of shareholder	Capacity	Number of H Shares held	Approximate percentage of interests in the Company/ H Shares of the Company
Liu Hei Wan	Interests held jointly with another person (note 1)	14,500,000	1.26%/2.89%
	Held by controlled corporation (note 2)	30,000,000	2.60%/6.00%
Law Suet Yi	Interests held jointly with another person (note 1)	14,500,000	1.26%/2.89%
	Interest of spouse (note 3)	30,000,000	2.60%/6.00%
The Waterfront Development Group Limited	Beneficial owner (note 2)	30,000,000	2.60%/6.00%
Martin Currie (Holdings) Limited	Held by controlled corporation (note 4)	46,110,000	4.01%/9.22%

## Notes:

1. As at 30 June 2010, 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 25,950,000 Shares and the 20,160,000 Shares beneficially owned by Martin Currie Inc and Martin Currie Investment Management Limited respectively for the purpose of the SFO.

Save as disclosed above, as at 30 June 2010, the Directors are not aware of any person, not being a Director, chief executive or Supervisor of the Company, who had interests or short positions in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and required to be recorded in the register kept by the Company pursuant to section 336 of the SFO.

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

During the six months ended 30 June 2010, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

On 13 March 2008, the Company completed the placing of 170,060,000 H shares, and the net proceeds amounted to RMB247,230,000. According to our plan, such net proceeds of approximately 50% was used for the construction and investment in gas pipeline infrastructure, approximately 20% for the working capital purpose and the remaining approximately 30% of the net proceeds for the acquisition of assets from third party or from Tianjin Gas Group Company Limited. As of 30 June 2009, approximately RMB100,000,000 (approximately 40.45%) of the said net proceeds was used for the construction of the high pressure natural gas pipeline project in Beihuan (Dong Jin Road (東金路) to Hai Fang Road (海防路)) and the high pressure natural gas distribution project in Gangnan, approximately RMB57,720,000 (approximately 23.35%) for replenishing working capital and the remaining approximately RMB89,510,000 (approximately 36.20%) used for the acquisition of certain gas assets of the Third Sales Branch of Tianjin Gas. The above said changes in the use of net proceeds generated from the placing of H shares had been approved by the resolution of the directors of the Company.

## Directors' Interests in Contracts

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

## Competing Interests

As at 30 June 2010, the Directors are not aware of any business or interest of the Directors, the management shareholders of the Company and their respective associates, that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

## Corporate Governance

During the six months ended 30 June 2010, the Company had complied with the code provisions set out in the Code on Corporate Governance Practice set out in Appendix 15 to the GEM Listing Rules.

## Arrangements to Purchase Shares or Debentures

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

## Code of Conduct Regarding Securities Transactions by Directors

During the six months ended 30 June 2010, the Company had adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry with all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors.

## AUDIT COMMITTEE

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

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

Tianjin, PRC, 12 August 2010

*As at the date of this report, the Board comprises 4 executive Directors, namely Mr. Jin Jian Ping, Mr. Dong Hui Qiang, Ms. Tang Jie, Mr. Bai Shao Liang, 2 non-executive Directors, namely Mr. Sun Bo Quan (Chairman) and Mr. Gong Jing, and 3 independent non-executive Directors, namely Mr. Zhang Yu Li, Mr. Luo Wei Kun and Mr. Chan Shun Kuen, Eric.*