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

Annual Report 2010

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.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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 GEM 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 this report misleading.

CONTENTS

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
Tam Tak Kei, Raymond

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

LEGAL ADDRESS

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

PRINCIPAL PLACE OF BUSINESS IN THE PRC

Floor 9, Gangao Tower
18 Zhengzhou Road
He Ping District, Tianjin

AUDITORS

Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway
Hong Kong

HONG KONG LEGAL ADVISER

Loong & Yeung
Suites 2001-2005, 20th Floor
Jardine House
1 Connaught Place
Central, Hong Kong

SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
17M/F
Hopewell Centre
183 Queen's Road East, Hong Kong

PRINCIPAL BANKER

Agricultural Bank of China
Tianjin He Xi Sub-branch
PRC

STOCK CODE

08290

FINANCIAL SUMMARY

	2010 **RMB'000**	2009 RMB'000
Revenue	**383,631**	317,992
Gross profit	**107,977**	95,666
Profit for the year and total comprehensive income for the year attributable to owners of the Company	**76,707**	66,367
Shareholders' interest	**715,269**	638,562
Total assets	**801,986**	735,933

	2010 **RMB (cents)**	2009 RMB (cents)
Earnings per share	**6.7**	5.8

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 (the "Shareholders") in year 2011.

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 2010. 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.

According to the China Statistical Yearbook 2010, coal has traditionally been the main source of energy in the PRC. In 2009, coal, crude oil, natural gas and other energy sources (including hydropower, nuclear power, wind power) accounted for approximately 70.4%, 17.9%, 3.9% and 7.8%, respectively, of the PRC's total energy consumption. The extensive use of coal in the PRC has increased the concentration of carbon dioxide (CO^2) and sulphur dioxide (SO^2) in the air and has led to severe environmental problems such as greenhouse effect, global warming and erratic weather patterns and pollution of the atmosphere.

In the Eleventh Five-Year Plan Program of National Economy and Social Development for the year 2006-2010, the PRC government has further emphasized the measures on environmental protection including the reduction of the release of pollutants. The PRC government has been supportive on the development of clean energy, natural gas and substitutes for crude oil. According to the China Statistical Yearbook 2010, whilst coal consumption as a percentage of total energy consumption in the PRC remains relatively stable, crude oil consumption as a percentage of total energy consumption in the PRC has declined from approximately 22.2% in 2000 to 17.9% in 2009. On the other hand, natural gas consumption in the PRC as a percentage of total energy consumption has increased from approximately 2.2% in 2000 to 3.9% in 2009.

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

CHAIRMAN'S STATEMENT

BUSINESS DEVELOPMENT

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

PROSPECTS

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

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

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

APPRECIATION

I would like to take this opportunity to thank 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 2011 for our shareholders.

Sun Bo Quan
Chairman

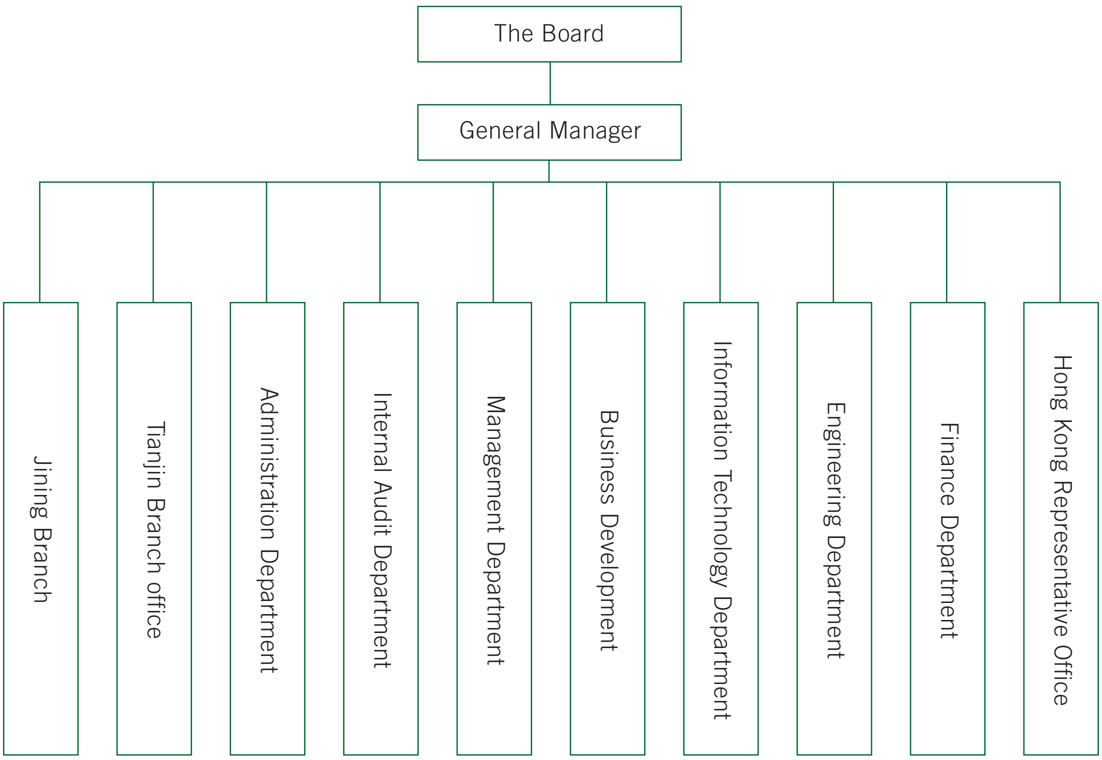
The PRC, 25 March 2011

MANAGEMENT DISCUSSION AND ANALYSIS

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 2011.

MANAGEMENT STRUCTURE

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



Since the listing of the H shares ("H Shares") of the Company on 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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the year ended 31 December 2010, the Group reported a revenue of approximately RMB383,631,000, representing an increase of approximately 20.64% as compared with the previous year. The profit for the year and total comprehensive income for the year attributable to owners of the Company for the year ended 31 December 2010 amounted to approximately RMB76,707,000 (2009: approximately RMB66,367,000) representing an increase of approximately 15.58%.

SEGMENTAL INFORMATION ANALYSIS

During the year, the Group has continued to implement 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 gas is the major source of income for the Group, which is followed by gas connection revenue, gas transportation and sales of gas appliances. The Group further expanded the operation in these four areas, in order to attain its strategic objectives for this year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group is generally funded by equity financing and bank borrowings. As at 31 December 2010, the Group had bank borrowings of RMB40,000,000 from Industrial Bank Co., Ltd.. The Group had repaid the bank borrowings on 28 January 2011. The Group mostly uses Renminbi in its operation and it has not used any financial instrument for currency hedging purposes, as it considers that its exposure to fluctuations in exchange rates is only minimal. The loan was unsecured, carried interest at floating rate of 5.31% (2009: 5.31%) per annum.

The Group's gearing ratio (total liabilities to total asset rate) as at 31 December 2010 was approximately 0.11 (2009: approximately 0.13).

As at 31 December 2010, 100% of the total amount of outstanding bank loans of the Group was in Renminbi (31 December 2009: 100% in Renminbi). As at 31 December 2010, approximately 100% of the total amount of cash and cash equivalents of the Group was in Renminbi (31 December 2009: 100%).

CONTINGENT LIABILITIES

As at 31 December 2010, the Group had no material contingent liabilities or guarantees.

STAFF AND EMOLUMENT POLICY

As at 31 December 2010, the Group had a workforce of 89 full-time employees.

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

On 16 September 2009, the Company entered into an assets acquisition agreement (the "Assets Acquisition Agreement") with 天津市燃氣集團有限公司 (Tianjin Gas Group Company Limited) ("Tianjin Gas"), a substantial shareholder of the Company, pursuant to which the Company has agreed to acquire from Tianjin Gas (the "Proposed Assets Transfer") the assets (which consist of part of the tangible assets and gas ancillary facilities held by the Hedong District Sales Offices and the Heping District Sales Offices of both Transmission Branch and First Sales Branch of Tianjin Gas, including outdoor pipelines of over 1,400 kilometres, domestic pipelines connected to approximately 360,000 users as at 30 June 2010, and the related machinery and electronic equipment and 40 vehicles) (the "Transferred Assets"). Upon completion of the Proposed Assets Transfer, the Transferred Assets will be owned by the Group. The Group will provide piped gas to the users connected by the Transferred Assets.

The Directors consider that the Group will benefit from the Proposed Assets Transfer. In particular, (i) the Proposed Assets Transfer will significantly increase the operation scale of the Group in terms of number of users and areas of operation; (ii) the Proposed Assets Transfer will broaden and diversify the Group's client base; (iii) the Proposed Assets Transfer will increase the market share of the gas business of the Group in Tianjin; (iv) the Transferred Assets are located in urban districts, where the local pipeline networks and other pipeline-related facilities have been fully developed, thus the Company does not have to inject additional capital to develop the relevant facilities; and (v) the Transferred Assets are profitable assets.

For details, please refer to the Company's announcement dated 5 October 2009 and the Company's circular dated 31 December 2010.

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 gases.

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

MANAGEMENT DISCUSSION AND ANALYSIS

The principal objectives of the Group are to expand its supply of natural gas business through expansion of its gas pipelines network and to maximize the returns for Shareholders. To achieve these objectives, the Group will pursue the strategies set out below.

- The Group will continue to supply piped natural gas to its existing operational locations in Tianjin City and will aim at expansion by constructing new pipelines and connecting to more users in its existing operational locations.

- The Group will seek to expand its gas pipelines network by mergers and acquisitions, if suitable assets or suitable targets are identified.

- Apart from its natural gas operation in Tianjin City, the Group will also continue to explore and develop its natural gas operation in Jining City.

- The Company will continue its expansion in Binhai New District by capital injection in 天津市濱海燃氣有限公司 (Tianjin Binhai Gas Limited), a subsidiary of Tianjin Gas.

- The Shareholders at the extraordinary general meeting and separate class meetings held on 29 October 2008 approved the special resolutions, among other things, 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 (the "Main Board"). On 11 December 2009, the listing application for the transfer of listing of H Shares of the Company from GEM to the Main Board has been submitted to 中國證券監督管理委員會 (China Securities Regulatory Commission) ("CSRC") and the said listing application has been approved by the CSRC on 10 November 2010. As at the date of this report, the Company has not yet filed the application to the Stock Exchange for the transfer of listing of its H Shares from GEM to the Main Board.

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, 25 March 2011

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

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

Executive Directors

Mr. Jin Jian Ping (金建平), aged 51, is an executive Director. Mr. Jin graduated from the School of Architecture of the University of Tianjin (天津大學建築分校) in 1983. Mr. Jin has obtained the qualification of senior engineer in 2002. He joined Tianjin Gas in August 1983. He is also the general manager, vice party secretary and vice chairman of the board of directors of Tianjin Gas. Mr. Jin was appointed as an executive Director on 4 January 2006 and is responsible for management of operation and safety management of the Company.

Mr. Dong Hui Qiang (董惠強), aged 57, is an executive Director. Mr. Dong is a graduate of the postgraduate course for investment management organized by Chinese Academy of Social Sciences in 2000. Mr. Dong worked in Tianjin Water Works Group Company Limited (天津自來水集團有限公司) from 1975 to 2003 and has acted as, among others, the deputy general manager and chief economist. Mr. Dong joined Tianjin Gas in June 2004 and is currently working as the chief economist. Mr. Dong is also a director of Tianlian Investment Company Limited (天津天聯投資有限公司), a subsidiary of the Company. Mr. Dong was appointed as an executive Director on 4 January 2006 and is responsible for designing yearly and medium-to-long term investment plan of the Company.

Mr. Bai Shao Liang (白少良), aged 51, is an executive Director. Mr. Bai has obtained a master degree in business administration from Nan Kai University (南開大學) in 2005. Mr. Bai has been the chairman of the board of directors and general manager of Wanshun Real Estate, a substantial shareholder of the Company, since 1993. Mr. Bai Shao Liang holds 76% interests in Wanshun Real Estate Company Limited (天津市萬順置業有限公司) ("Wanshun Real Estate"). Under the Securities and Future Ordinance (the "SFO"), Mr. Bai Shao Liang is taken to be interested in all the Shares held by Wanshun Real Estate. Mr. Bai was appointed as an executive Director on 26 May 2006. Mr. Bai is responsible for making material decisions of the Company.

Ms. Tang Jie (唐潔), aged 43, is an executive Director. Ms. Tang graduated from the Tianjin Institute of Finance (天津財經學院) (now known as the Tianjin University of Finance and Economics (天津財經大學)), majoring in accounting, in 1991. Ms. Tang is one of the promoters of the Company and had been working for the Company as an accountant and deputy general manager in the account department since December 1998. She had been appointed as a deputy general manager of the Company in 2001. Ms. Tang was appointed as an executive Director on 28 December 2001 and is responsible for making material decisions of the Company.

Non-executive Directors

Mr. Sun Bo Quan (孫伯全), aged 59, is a non-executive Director and the chairman of the Board. Mr. Sun has obtained a master degree in business administration from Nan Kai University (南開大學), the PRC in 2005. He was the deputy bureau head of Tianjin Public Utility Bureau (天津市公用局) in September 1997. He subsequently joined Tianjin Gas in August 2001 and is the chairman of the board of directors of Tianjin Gas. Mr. Sun had been an independent non-executive director of Ming Hing Holdings Limited (now known as Mongolia Investment Group Limited), whose shares are listed on the Main Board (Stock Code: 402), for the period from October 2006 to March 2009. Mr. Sun was appointed as a non-executive Director on 13 August 2004. Mr. Sun is responsible for the overall planning, strategic development and major policy making of the Company.

Mr. Gong Jing (宮靖), aged 46, is a non-executive Director. Mr. Gong is a graduate of the University of Tianjin (天津大學) in 2009 with a Doctor of technology economics and management degree (技術經濟及管理博士學位). He has been the general manager of the investment development department of both Tianjin Beacon Coatings Co., Ltd (天津燈塔塗料有限公司) and Tsinlien Group Co., Ltd. (津聯集團有限公司) since 2001. Mr. Gong had been an executive director of Tianjin Development Holdings Limited, whose shares are listed on the Main Board (Stock Code: 882), since April 2009. Mr. Gong was appointed as a non-executive Director on 28 December 2001. Mr. Gong participates in the decision making process for major policy making of the Company.

Independent Non-executive Directors

Professor Zhang Yu Li (張玉利), aged 45, was appointed as an independent non-executive Director on 25 June 2007. Professor Zhang is a graduate of the Nan Kai University (南開大學) in the PRC. He received a bachelor's degree in economic management in 1987, a master's degree in corporate management in 1990, and was awarded a doctorate in economics, majoring in corporate management in 1996. Professor Zhang had been the associate dean of the School of Business of Nan Kai University (南開大學), the PRC. He has been the head of the Entrepreneurship Management Studies Centre (創業管理研究中心) of the School of Business of Nan Kai University (南開大學), the PRC since 2008.

Mr. Luo Wei Kun (羅維崑), aged 71, was appointed as an independent non-executive Director on 28 October 2002. Mr. Luo graduated from the Tsinghua University (清華大學) in the PRC with a bachelor's degree in civil architecture in 1964. He started his postgraduate studies in civil engineering in the same year and was subsequently awarded a postgraduate diploma in 1967. He was a technician in the Wuhan Branch of the China National Pharmaceutical Industry Corporation (中國醫藥工業公司武漢分公司) (now known as China National Pharmaceutical Industry Corporation Limited) (中國醫藥工業有限公司)) in 1968. He worked in the State Ministry of Medicine-Hubei Medical Manufactory Branch (國家醫葯總局湖北製藥製劑分廠) from 1969 to 1985 and successively held various positions, including deputy chief engineer. He worked as an engineer, section head and assistant to factory manager in Tianjin Second Coal Gas Factory (天津市第二煤氣廠) from 1986 to 1992. He was the deputy chief engineer in Tianjin Public Utility Bureau (天津市公用局) since 1992 and up to his retirement in March 2000. Mr. Luo acted as a consultant in Tianjin City Gas Administrative Office (天津市燃氣管理處) since 2000, and had been a committee member of Urban Coal Gas Association of Civil Engineering Association in China (中國土木工程學會城市煤氣學會理事會), a member of the technical consultant committee in the Planning Office of Tianjin City (天津市建設管理委員會技術顧問委員會). 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 GEM (Stock Code: 8270).

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Chan Shun Kuen, Eric (陳舜權), aged 49, was appointed as an independent non-executive Director on 12 November 2004. Mr. Chan is an external consultant of Development Principles Group (Hong Kong) Limited. Mr. Chan holds a Master of Commerce degree and a Bachelor of Laws degree and is an associate member of Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants). Mr. Chan is currently a non-executive director of China Au Group Holdings Limited (formerly known as "Blu Spa Holdings Limited"), whose shares are listed on GEM (Stock Code: 8176). On 3 December 2008, the SFC issued a press release regarding a decision of the Securities and Futures Appeal Tribunal (the "SFAT"). It stated that the SFAT confirmed the SFC's disciplinary sanction to fine Mr. Chan HK$200,000 for his lapse in duties when acting on behalf of his former employer as a sponsor for a listing application in 2003. Full particulars surrounding this matter are available on the SFC's website. The Company has published an announcement in relation to the same on 25 October 2010.

Mr. Tam Tak Kei, Raymond (譚德機), aged 47, was appointed as an independent non-executive Director on 15 February 2011. Mr. Tam holds a Bachelor of Arts Degree in Accounting with Computing from University of Kent at Canterbury, England and is a an associate member of the Institute of Chartered Accountants in England and Wales. He is also an associate member of the Hong Kong Institute of Certified Public Accountants. Currently, Mr. Tam is the financial controller of an international law firm and has over 20 years of professional accounting experience. He is also an independent non-executive director of Sun Innovation Holdings Limited, whose shares are listed on the Main Board (Stock Code: 547).

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 (曹書經), aged 59, was appointed as a Supervisor on 4 January 2006. Mr. Cao graduated from the Management Institute of Tianjin City (天津市管理幹部學院), majoring in corporate ideological and political work in 1985, and subsequently in administration of commerce and industry management in 1990. Mr. Cao joined Tianjin Gas in March 1973. Mr. Cao is a qualified senior political officer, and is currently the deputy general manager of Tianjin Gas.

Independent Supervisors

Professor Qi Yin Feng (齊寅峰), aged 73, was appointed as an independent Supervisor on 28 October 2002. He graduated from Nan Kai University (南開大學), the PRC, with a bachelor's degree in mathematics. Since his graduation in 1962, Professor Qi taught in Nan Kai University (南開大學), the PRC, He was awarded the Third Prize of the Technology Advance Award (科學技術進步獎三等獎) by the State Educational Commission (國家教育委員會), the PRC. Since 1988, Professor Qi had been a vice president in the Society of System Engineering of Tianjin (天津市系統工程學會). He acted as a consultant for Kunming National High & New Tech Industry Development Zone (昆明高新技術產業開發區) from 1993 to 1996. In 2002, Professor Qi completed a training course for independent directors of listed companies jointly organized by the China Securities Regulatory Commission and School of Economics and Management of the Tsinghua University (清華大學), the PRC.

Mr. Sha Jin Cheng (沙錦程), aged 66, was appointed as an independent Supervisor on 25 June 2007. He graduated from Shanghai Chemical College (上海化工學院), the PRC, majoring in basic organic chemical engineering. Mr. Sha then worked for the Long-Term Planning Department of Tianjin Chemical Bureau (天津市化工局長遠規劃處) the PRC and the Department of Foreign Investment of Tianjin City (天津市外經貿委外資處) from 1992 to 1996. He was the deputy general manager in the group investment department of Tsinlien Group Co., Ltd. (津聯集團有限公司) from 1996 to 2006. Mr. Sha has being working as a deputy general manager in Suryamas Daily Chemical (Tianjin) Co., Ltd. (源達日化(天津)有限公司) since November 2006.

Staff Representative Supervisors

Mr. Sun Xue Gang (孫學剛), aged 35, is a Supervisor and a deputy general manager of the Company. Mr. Sun graduated from the Tianjin Institute of Finance (天津財經學院) (now known as the Tianjin University of Finance and Economics (天津財經大學)), the PRC, majoring in economic information management, in 1997. Between 1997 and 2006, he worked for Tianjin Water Works Group Company Limited (天津市自來水集團有限公司) and had successively been a management cadre in the human resources department and a vice party secretary, and had been a deputy manager of Tianjin Water Works Group Company Limited (天津市自來水集團有限公司) retail branch in the northern part of Tianjin. He was appointed as a deputy general manager of the Company in 2006 and has been appointed as a Supervisor on 25 June 2007. Mr. Sun is responsible for corporate investment and financing, investor relationship and internal audit of the Company. He is also responsible for organising feasibility study and application for approval in relation to the investment projects of the Company and managing the Jining Branch.

Ms. Hao Li (郝力), aged 40, is a Supervisor. Ms. Hao graduated from the School of Tianjin Committee of the Communist Party (中共天津市委黨校), majoring in economics and management, in 2005. She worked in the planning department of Tianjin Gas from 1988 to 2005, and subsequently joined the Company and worked in the management department. She was appointed as a Supervisor on 25 June 2007.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

COMPANY SECRETARY

Mr. Kwok Shun Tim (郭純恬), aged 36, graduated from the Hong Kong University of Science and Technology in 1999 and obtained a bachelor degree (business administration in accounting) and he also obtained a master degree in China Business Studies from the Hong Kong Polytechnic University in 2004 and a master degree in International Economic Law from the City University of Hong Kong in 2008. 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.

SENIOR MANAGEMENT

Mr. Zheng Tai Qi (鄭太琪), aged 57, is a graduate of the Tianjin Institute of Financial (天津財經學院) (now known as the Tianjin University of Finance and Economics (天津財經大學), the PRC, in 1987. Mr. Zheng is a senior engineer. He joined Tianjin Gas in August 1974. Mr. Zheng was a deputy manager of the First Sales Branch of Tianjin Gas, and has been the general manager of the Company since December 2004. Mr. Zheng is responsible for the management of the production and operation of the Company, formulating and implementing annual operation plan of the Company, formulating internal control procedures and organising on-the-job training of employees of the Company.

Ms. Zhang Zhi Hua (張芷華), aged 51, graduated from the School of Architecture of the University of Tianjin (天津大學建築分校), the PRC, in 1984. She is a senior engineer. She joined Tianjin Gas in August 1983. She was the section head of the measurement technical section of the First Sales Branch of Tianjin Gas, and the chief engineer of Heping District Sales Offices. She has been the chief engineer of the Company since April 2008.

Mr. Sun Xue Gang (孫學剛), aged 35, is a deputy general manager of the Company. His biographical details are set out above under the paragraph headed “Staff Representative Supervisors” above.

Ms. Wang Li Ping (王莉萍), aged 45, graduated from Tianjin Institute of Finance (天津財經學院) (now known as the Tianjin University of Finance and Economics (天津財經大學)), the PRC in 1985. She is an accountant. She was the deputy head of the Financial Department of Tianjin Gas from 2004 to 2005, and has been the manager of the Finance Department of the Company thereafter.

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 2010.

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 10 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 4 independent non-executive Directors namely Mr. Zhang Yu Li, Mr. Luo Wei Kun, Mr. Chan Shun Kuen, Eric and Mr. Tam Tak Kei, Raymond. Two of the independent non-executive Directors, Mr. Chan Shun Kuen, Eric and Mr. Tam Tak Kei Raymond are qualified accountant with substantial experience in accounting and financial matters. Biographical details of the Directors are set out in the section headed "Directors, Supervisors and Senior Management" on page 11 to page 13 of this 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. 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 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.

CORPORATE GOVERNANCE REPORT

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 director, and selection of candidate as an addition to the existing Directors in the year 2010.

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 2010 and the average attendance rate was 92.6%. Individual attendance records are set out below.

Board Attendance

No. of meetings held during the year	6
Executive Directors	
Jin Jian Ping	5/6
Dong Hui Qiang	5/6
Bai Shao Liang	6/6
Tang Jie	6/6
Non-executive Directors	
Sun Bo Quan *(Chairman)*	5/6
Gong Jing	5/6
Independent Non-executive Directors	
Zhang Yu Li	6/6
Luo Wei Kun	6/6
Chan Shun Kuen	6/6
Tam Tak Kei, Raymond	N/A (Note)
Average attendance rate	92.6%

Note: Mr. Tam was appointed as an independent non-executive Director on 15 February 2011 and thus did not attend any Board meeting in 2010.

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.

CORPORATE GOVERNANCE REPORT

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 2010, 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 2010	Attendance in 2010
Audit Committee	• To serve as a focal point for communication between Directors, the external auditors and internal auditors	Zhang Yu Li *(Chairman)*	100%
		Luo Wei Kun	100%
		Chan Shun Kuen, Eric	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 2010: 4			
Remuneration Committee	• To formulate remuneration policy and make recommendations on the annual remuneration review	Sun Bo Quan *(Chairman)*	100%
		Luo Wei Kun	100%
		Chan Shun Kuen, Eric	100%
	• To determine the remuneration of executive Directors and members of the Senior Management		
Total number of meetings held in 2010: 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 executive Directors and 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 4 meeting during 2010 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 8 and 27 of this 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 2010, 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 41 to page 42.

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 2010. 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 2010, 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 2010, the fees paid to the Company's external auditors for audit services amounted to approximately RMB625,000 and for non-audit related activities (which are account review fees and ad hoc projects fees) amounted to approximately RMB1,403,000.

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 three 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 2010, the Audit Committee met four times to discuss the annual results of 2009 and the first quarterly, interim and third quarterly results of 2010. 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.

CORPORATE GOVERNANCE REPORT

APPOINTMENT OF DIRECTOR

The Company has not established a Nomination Committee. All members of the Board are responsible for formulating the procedures for appointing Directors, nominating suitable candidates for approval at the annual general meeting so as to fill vacancies due to the resignation of Directors or appoint additional Directors.

When selecting candidates for appointment as Directors, the Board will consider the candidates' integrity, achievements and experience in the relevant industry, expertise, educational background and whether they have sufficient time to assume the post of Directors.

Tam Tak Kei, Raymond was appointed as an independent non-executive Director at an extraordinary general meeting of the Company held on 15 February 2011 and has entered into a service contract with the Company for a fixed term from the date of the extraordinary general meeting and ending on the conclusion of the annual general meeting of the Company to be held in 2012, unless otherwise terminated prematurely in accordance with the terms of his appointment.

The Board of Directors is pleased to present the audited consolidated financial statements of the Group for the year ended 31 December 2010.

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 2010 are set out in the consolidated income statement on page 43 of this annual report.

No dividend was proposed during 2010, nor has any dividend been proposed since the end of the reporting period (2009: Nil).

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.

DIRECTORS' REPORT

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 2010, comprised the retained profits determined under PRC accounting standards of approximately RMB289 million (2009: RMB222 million).

TRANSFERS TO RESERVES

Profits attributable to shareholders before dividends of RMB9,943 million (2009: RMB9,048 million) have been transferred to reserves. Other movements in the reserves are set out in note 28 to the financial statements.

MANAGEMENT CONTRACTS

On 6 October 2008, the Company entered into an entrustment construction agreement (the "Entrusted Construction Agreement") with Tianjin Gas, pursuant to which the Company entrusted Tianjin Gas and Tianjin Gas agreed to undertake the construction of the two construction projects, namely the Beihuan Pipeline Project and the Gangnan Distribution Project. Pursuant to the Entrusted Construction Agreement, Tianjin Gas is only responsible for the construction of the Beihuan Pipeline and the Gangnan Pipeline, the ownership of these pipelines remains with the Company.

Pursuant to the Entrusted Construction Agreement, the construction fees were estimated to be amounted to approximately RMB217,962,000 and the entrustment fees would not exceed RMB6,538,700. For the financial year ended 31 December 2010, a total of approximately RMB26,240,000 was paid to Tianjin Gas by the Company in connection with the Entrusted Construction Agreement (of which approximately RMB22,276,000 were construction fees and approximately RMB3,964,000 were entrustment fees). The Gangnan Distribution Project was completed in May 2009 while the Beihuan Pipeline Project was completed in March 2011.

Save as disclosed above, no contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or existed during the year.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group and the Company are set out in note 16 to the consolidated financial statements.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Company for the last five financial years is set out on page 95.

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
Mr. Tam Tak Kei, Raymond (Appointed on 15 February 2011)

Supervisors:

Mr. Cao Shu Jing
Mr. 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 (except Mr. Tam Tak Kei, Raymond) and Supervisors are appointed for a term of three years and, being eligible, may offer themselves for re-election in the annual general meeting upon expiry of the terms of office. Mr. Tam Tak Kei, Raymond is appointed for a term from the date of the extraordinary general meeting approving his appointment (15 February 2011) and ending on the conclusion of the annual general meeting of the Company to be held in 2012,

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 Directors, except Mr. Tam Tak Kei, Raymond, has entered into a service agreement with the Company for an initial term of three years. Mr. Tam Tak Kei, Raymond has entered into a service contract with the Company for a fixed term from the date of the extraordinary general meeting approving his appointment (15 February 2011) and ending on the conclusion of the annual general meeting of the Company to be held in 2012,

Each of the Supervisors has entered into a service agreement with the Company for a term of three years.

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, except Mr. Tam Tak Kei, Raymond, who is appointed for a term from the date of the extraordinary general meeting approving his appointment (15 February 2011) and ending on the conclusion of the annual general meeting of the Company to be held in 2012.

POLICY FOR DIRECTORS' REMUNERATION

The remuneration of the Directors is determined by the Remuneration Committee with reference to the directors' respective qualifications and experiences. During the year, there was no arrangement in which Directors waived their remuneration.

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

As at 31 December 2010, 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 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 above, as at 31 December 2010, 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 2010, 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 (Note 2)	22.08%/39.08%
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%
Ms. Li Sha	Interests of spouse (Note 3)	235,925,000	20.52%/36.32%

Note 1: 天津燈塔塗料有限公司 (Tianjin Beacon Coatings Co., Ltd), formerly known as Tianjin Tsinlien Investment & Trade Company Limited (天津津聯投資貿易有限公司), is wholly owned by Tianjin Taida Investment Holdings Company Limited 天津泰達投資控股有限公司), which is State-owned company wholly owned by Tianjin Municipal People's Government (天津市人民政府).

Note 2: Pursuant to the Assets Acquisition Agreement, the Company will allot and issue 689,707,800 Domestic Shares to Tianjin Gas to satisfy the consideration if and when the Proposed Assets Transfer is completed. Taking into account the 689,707,800 Domestic Shares which may be issued to Tianjin Gas upon completion of the Proposed Assets Transfer, Tianjin Gas may be deemed, or taken to be interested in an aggregate of 943,517,487 Domestic Shares, representing approximately 82.07% of the total issued share capital or 145.26% of the total issued Domestic Shares of the Company as at 31 December 2010.

Note 3: As at 31 December 2010, Mr. Bai Shao Liang held 76% interests in 天津市萬順置業有限公司 (Tianjin Wanshun Real Estate Company Limited) and is a director of such company. Ms. Li Sha is the wife of Mr. Bai Shao Liang. Under the SFO, Mr. Bai Shao Liang and Ms. Li Sha are taken to be interested in all the shares held by Tianjin Wanshun Real Estate Company Limited.

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%/2.90%
	Held by controlled corporation (note 2)	30,000,000	2.61%/6.00%
Law Suet Yi	Interests held jointly with another person (note 1)	14,500,000	1.26%/2.90%
	Interest of spouse (note 3)	30,000,000	2.61%/6.00%
The Waterfront Development Group Limited	Beneficial owner (note 2)	30,000,000	2.61%/6.00%
Martin Currie (Holdings) Limited	Held by controlled corporation (note 4)	46,110,000	4.01%/9.22%
China Development Capital Partnership L.P.	Investment manager	20,000,000	1.74%/4.00%
Martin Currie Investment Management Limited	Investment manager	20,000,000	1.74%/4.00%
Liu Cheng Jie	Beneficial owner	16,910,000	1.47%/3.38%

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 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 31 December 2010, 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 subsidiary 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 under review or at any time during the year.

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

During the year ended 31 December 2010, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

During the year ended 31 December 2010, the Company had complied with the board practices and procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules during the period of review.

During the year ended 31 December 2010, the Company had complied with the Code on Corporate Governance Practice set out in Appendix 15 to the GEM Listing Rules.

COMPLIANCE WITH NON-COMPETE UNDERTAKING

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

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

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

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

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

COMPETING INTERESTS

Each of Mr. Sun Bo Quan (a non-executive Director and the chairman of the Company), Mr. Jin Jian Ping and Mr. Dong Hui Qiang (both of whom are executive Directors) holds positions with Tianjin Gas. They do not have any equity interest in Tianjin Gas nor the Company. Save as their positions with Tianjin Gas, each of the Directors and their respective associates has confirmed that he/she does not have any interest in a business which competes or may compete with the business of the Group.

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

Save as disclosed above, as at 31 December 2010, the Directors are not aware of any business or interest of the Directors, the controlling 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 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.

CONNECTED TRANSACTIONS

During the year, the Group has the following continuing connected transactions (the "Connected Transactions") and the Company has fully complied with the announcement, reporting and/or independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules (where applicable):

(1) Gas Transportation Transaction

On 2 July 2009, Tianjin Gas and the Company entered into a conditional gas transportation agreement (the "Gas Transportation Contract"). Pursuant to the Gas Transportation Contract, the Company agreed to allow Tianjin Gas to transmit natural gas to end users via the gas pipelines owned and managed by the Company. In return, Tianjin Gas paid to the Company the gas transportation fees. The annual caps for the gas transportation fees in respect of the three years ending 31 December 2011 were RMB18 million, RMB40 million and RMB55 million respectively.

Tianjin Gas is one of the promoters of the Company and as at the date of this report 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.

The entering into the Gas Transportation Contract constituted a continuing connected transaction of the Company. The annual caps did not fall under the exemption in Rules 20.33 and 20.34 of the GEM Listing Rules and was subject to the reporting, announcement and independent shareholders' approval requirements under the Rules 20.45 to 20.54 of the GEM Listing Rules. This transaction was approved by the independent shareholders of the Company in September 2009.

For details, please refer to the Company's announcement dated 3 July 2009 and the Company's circular dated 24 July 2009.

During the year, the amount of transactions made between Tianjin Gas and the Company in respect of gas transportation amounted to approximately RMB3,884,000 (excluding tax), and which were within the relevant annual cap approved by the shareholders of the Company.

(2) Renewal of Gas Purchase Contracts and Pipeline Design Agreement

On 27 October 2009, Tianjin Gas and the Company entered into the 2010 Gas Purchase Contract, 2011 Gas Purchase Contract and 2012 Gas Purchase Contract (all as defined in the Company's announcement dated 27 October 2009) in respect of renewal of the supply of natural gas by Tianjin Gas to the Group for the period from 1 January 2010 to 31 December 2012.

On 27 October 2009, the Company and Design Institute entered into the 2010 Pipeline Design Agreement (as defined in the Company's announcement dated 27 October 2009) in respect of renewal of provision of pipeline design service by Design Institute to the Company for the period from 1 January 2010 to 31 December 2012, with an annual cap of RMB4,400,000, RMB5,280,000 and RMB6,330,000 respectively.

Tianjin Gas is one of the promoters of the Company and as at the date of this report 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. 天津市煤氣工程設計院 (Tianjin Gas Engineering Design Institute) is a wholly owned subsidiary of Tianjin Gas and thus also a connected person of the Company.

As each of the percentage ratios (other than the profits ratio) for the aggregate caps of the transactions contemplated under the 2010 Gas Purchase Contract, the 2011 Gas Purchase Contract and the 2012 Gas Purchase Contract for each of the 12 months ending 31 December 2010, 31 December 2011 and 31 December 2012 of RMB290,000,000, RMB348,000,000 and RMB416,000,000 was on an annual basis more than 2.5%, the transactions contemplated under the 2010 Gas Purchase Contract, the 2011 Gas Purchase Contract and the 2012 Gas Purchase Contract did not fall under the exemption in Rules 20.33 and 20.34 of the GEM Listing Rules and were subject to the reporting, announcement and independent shareholders' approval requirements to approve the 2010 Gas Purchase Contract, the 2011 Gas Purchase Contract and the 2012 Gas Purchase Contract and the respective annual caps abovementioned under Chapter 20 of the GEM Listing Rules. These transactions were approved by the independent shareholders of the Company on 28 December 2009.

As each of the percentage ratios (other than the profits ratio) for the caps of the transactions contemplated under the 2010 Pipeline Design Agreement were on an annual basis more than 2.5% but less than 25% and the annual consideration was less than HK$10,000,000, the 2010 Pipeline Design Agreement was exempt from the independent shareholders' approval requirement and was only subject to the reporting and announcement requirements under Rule 20.34 of the GEM Listing Rules.

For details, please refers to the Company's announcements dated 27 October 2009 and 18 December 2009 and the Company's circular dated 11 November 2009.

During the year, the Company had purchased natural gas of approximately RMB207,918,000 (excluding tax) from Tianjin Gas and paid a design fee of approximately RMB1,904,000 to the Design Institute which transaction amounts were within the relevant annual caps approved by the shareholders of the Company.

In accordance with the provisions of the GEM Listing Rules, the independent non-executive directors have reviewed the Connected Transactions. In their opinion, the Connected Transactions were:

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

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

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

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

In addition, the Company's auditors have also confirmed in writing to the Board, the above Connected Transactions:

(1) have received the approval of the Company's board of directors;

(2) nothing had come to their attention which caused them to believe that:

- the Connected Transactions had not been entered into in accordance with the relevant agreements governing the transactions;
- the Connected Transactions had not been entered into in accordance with the pricing policies of the Group if the transactions involve provision of goods by the Group; and
- the transaction amount occurred in 2010 for each of the Connected Transactions was not within the respective cap amount for the financial year ended 31 December 2010 as disclosed in the Company's announcements on 3 July 2009, 27 October 2009 and 18 December 2009.

ENTRUSTED CONSTRUCTION AGREEMENT

On 6 October 2008, the Company entered into an entrustment construction agreement (the "Entrusted Construction Agreement") with Tianjin Gas, pursuant to which the Company entrusted Tianjin Gas and Tianjin Gas agreed to undertake the construction of the two construction projects, namely the Beihuan Pipeline Project and the Gangnan Distribution Project. Pursuant to the Entrusted Construction Agreement, Tianjin Gas is only responsible for the construction of the Beihuan Pipeline and the Gangnan Pipeline, the ownership of these pipelines remains with the Company.

Pursuant to the Entrusted Construction Agreement, the construction fees were estimated to be amounted to approximately RMB217,962,000 and the entrustment fees would not exceed RMB6,538,700. For the financial year ended 31 December 2010, a total of approximately RMB26,240,000 was paid to Tianjin Gas by the Company in connection with the Entrusted Construction Agreement (of which approximately RMB22,276,000 were construction fees and approximately RMB3,964,000 were entrustment fees).The Gangnan Distribution Project was completed in May 2009 while the Beihuan Pipeline Project was completed in March 2011.

The Entrusted Construction Agreement has been duly approved by the independent Shareholders' in an extraordinary general meeting held on 23 March 2009.

ACQUISITION OF ASSETS

On 16 September 2009, the Company entered into an assets acquisition agreement (the "Assets Acquisition Agreement") with Tianjin Gas, a substantial shareholder of the Company, pursuant to which the Company has agreed to acquire from Tianjin Gas (the "Proposed Assets Transfer") the assets (which consist of part of the tangible assets and gas ancillary facilities held by the Hedong District Sales Offices and the Heping District Sales Offices of both Transmission Branch and First Sales Branch of Tianjin Gas, including outdoor pipelines of over 1,400 kilometres, domestic pipelines connected to approximately 360,000 users as at 30 June 2010, and the related machinery and electronic equipment and 40 vehicles) (the "Transferred Assets"). Upon completion of the Proposed Assets Transfer, the Transferred Assets will be owned by the Group. The Group will provide piped gas to the users connected by the Transferred Assets.

To meet the increase in demand of natural gas of the Company as a result of completion of the Proposed Assets Transfer, the Company entered into the Gas Supply Contracts with Tianjin Gas on 16 September 2009. The Gas Supply Contracts comprise the 2009 Gas Supply Contract, the 2010 Gas Supply Contract and the 2011 Gas Supply Contract, all dated 16 September 2009. The Gas Supply Contracts are conditional on the completion of the Proposed Assets Transfer and approval by the independent Shareholders.

Since the extraordinary general meeting (the "EGM"), in which the independent Shareholders considered the resolutions concerning the Proposed Assets Transfer and the Gas Supply Transaction, was held on 15 February 2011, the 2009 Gas Supply Contract and the 2010 Gas Supply Contract have lapsed. Accordingly, only the 2011 Gas Supply Contract was tabled in the EGM for consideration by the independent Shareholders. The independent Shareholders have approved the Proposed Assets Transfer and the 2011 Gas Supply Contract at the EGM.

The Proposed Assets Transfer has not been completed as at the date of this report.

For details, please refer to the Company's announcements dated 5 October 2009 and the Company's circular 31 December 2010.

The related party transactions are set out in note 35 to the financial statements of the Company. Apart from the connected transactions and continuing connected transactions disclosed above, all the other related party transactions did not fall under the scope of "connected transactions" or "continuing connected transactions" under Chapter 20 of the GEM Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

STAFF AND EMOLUMENT POLICY

As at 31 December 2010, the Group had a workforce of 89 full-time employees, among which 98.88% 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.

DIVIDENDS

No dividend was proposed during 2010, nor has any dividend been proposed since the end of the reporting period (2009: Nil).

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers of the Group together accounted for approximately 49.76% of the Group's total turnover for the year, with the largest customer accounted for approximately 22.47%. The five largest suppliers of the Group together accounted for approximately 98.17% of the Group's total purchases for the year, with the largest supplier accounted for 83.83%.

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 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 report and the results for the year.

DIRECTORS' 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.

MATERIAL CONTRACTS

Save as disclosed in this Annual Report, no contract of significance has been entered into during the reporting period between the Company or any of its subsidiaries and the controlling shareholder or its subsidiaries.

SUBSEQUENT EVENTS

The Shareholders at the extraordinary general meeting and separate class meetings held on 15 February 2011 approved, among other things, the Proposed Assets Transfer.

As at the date of this Annual Report, the Proposed Assets Transfer has not yet completed. The Company has obtained the approval from 天津市商務委員會 (Tianjin Municipal Commerce Committee) for, inter alia, the subscription of the Company's shares by Tianjin Gas. The Company will file an application with the relevant Administration for Industry and Commerce Bureau in Tianjin for its approval for, inter alia, the subscription of the Company's shares by Tianjin Gas. The legal advisers to the Company as to PRC laws advised that, after, inter alia, the subscription of the Company's shares by Tianjin Gas has been filed and registered with the said Administration for Industry and Commerce Bureau, the Proposed Assets Transfer will be completed.

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

25 March 2011

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 2011, 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

25 March 2011

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE MEMBERS 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 43 to 94, which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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, in accordance with our agreed terms of engagement, 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 about 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 of consolidated financial statements that give a true and fair view 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 affair of the Group at 31 December 2010, 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
25 March 2011

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2010

	NOTES	2010 RMB'000	2009 RMB'000
Revenue	5	**383,631**	317,992
Cost of sales		**(275,654)**	(222,326)
Gross profit		**107,977**	95,666
Other income	7a	**6,154**	6,816
Other gains and losses	7b	**565**	1,711
Selling expenses		**(26)**	(27)
Administrative expenses		**(15,497)**	(14,045)
Finance costs	8	**(2,166)**	(2,094)
Share of profit of associates		**4,382**	877
Profit before tax		**101,389**	88,904
Income tax expense	9	**(24,682)**	(22,537)
Profit for the year and total comprehensive income for the year	10	**76,707**	66,367
Profit for the year and total comprehensive income for the year attributable to owners of the Company		**76,707**	66,367
Earnings per share — basic (RMB cents)	12	**6.7**	5.8

CONSOLIDATED BALANCE SHEET

At 31 December 2010

		The Group		The Company	
	NOTES	**31 December 2010 RMB'000**	31 December 2009 RMB'000	**31 December 2010 RMB'000**	31 December 2009 RMB'000
Non-current assets					
Property, plant and equipment	14	**259,007**	234,025	**258,960**	233,982
Prepaid lease payments	15	**8,226**	5,021	**8,226**	5,021
Intangible assets	16	**202,772**	207,540	**202,772**	207,540
Contract work in progress	17	**847**	3,824	**847**	3,824
Investments in subsidiaries	18	**—**	—	**20,000**	20,000
Interests in associates	19	**21,714**	17,332	**8,778**	8,778
Prepayment		**136**	162	**136**	162
Deferred tax assets	29	**2,811**	2,889	**2,811**	2,889
		495,513	470,793	**502,530**	482,196
Current assets					
Inventories	20	**823**	417	**823**	417
Trade receivables	21	**48,546**	69,673	**48,546**	69,673
Prepayment and other receivables	21	**11,636**	3,526	**11,636**	3,526
Amount due from a shareholder	22	**12,024**	830	**12,024**	830
Held for trading investments	23	**2,460**	1,613	**—**	—
Short-term bank deposits with original maturity more than three months		**2,060**	2,000	**—**	—
Bank balances and cash	24	**228,924**	187,081	**220,302**	177,924
		306,473	265,140	**293,331**	252,370
Current liabilities					
Trade and other payables	25	**30,383**	33,114	**30,170**	32,971
Dividend payable		**9,743**	9,743	**9,743**	9,743
Income tax payable		**4,476**	12,876	**4,350**	12,844
Borrowings	26	**40,000**	40,000	**40,000**	40,000
Amount due to a related party	22	**1,298**	825	**1,298**	825
		85,900	96,558	**85,561**	96,383
Net current assets		**220,573**	168,582	**207,770**	155,987
Total assets less current liabilities		**716,086**	639,375	**710,300**	638,183

CONSOLIDATED BALANCE SHEET

At 31 December 2010

		The Group		The Company	
		31 December 2010	31 December 2009	**31 December 2010**	31 December 2009
	NOTES	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Capital and reserves					
Share capital	27	**114,960**	114,960	**114,960**	114,960
Share premium and reserves	28	**600,309**	523,602	**594,523**	522,410
Equity attributable to owners of the Company		**715,269**	638,562	**709,483**	637,370
Non-current liability					
Deferred tax liabilities	29	**817**	813	**817**	813
		716,086	639,375	**710,300**	638,183

The consolidated financial statements on 43 to 94 were approved and authorised for issue by the Board of Directors on 25 March 2011 and are signed on its behalf by:

Dong Hui Qiang
DIRECTOR

Sun Bo Quan
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Attributable to owners 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
At 1 January 2009	114,960	267,672	16,980	3,071	186,756	589,439
Profit for the year and total comprehensive income for the year	—	—	—	—	66,367	66,367
Dividend recognised as distribution (note 11)	—	—	—	—	(17,244)	(17,244)
Appropriation	—	—	6,032	3,016	(9,048)	—
At 31 December 2009	114,960	267,672	23,012	6,087	226,831	638,562
Profit for the year and total comprehensive income for the year	—	—	—	—	76,707	76,707
Appropriation	—	—	6,628	3,315	(9,943)	—
At 31 December 2010	114,960	267,672	29,640	9,402	293,595	715,269

Notes:

(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 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 are non-distributable. Appropriations to such reserves 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.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

	2010 RMB'000	2009 RMB'000
Operating activities		
Profit before tax	**101,389**	88,904
Adjustments for:		
Amortisation of intangible assets	**9,567**	9,645
Amortisation of prepaid lease payments	**147**	147
Depreciation of property, plant and equipment	**5,617**	4,226
Finance costs	**2,166**	2,094
Interest income	**(666)**	(492)
Share of results of associates	**(4,382)**	(877)
Reversal of allowances for bad and doubtful debts	**(316)**	—
Loss on disposal of property, plant and equipment	**3**	—
Operating cash flows before movements in working capital	**113,525**	103,647
Increase in contract work in progress	**(1,481)**	(1,968)
(Increase) decrease in inventories	**(406)**	289
Decrease in trade receivables	**21,355**	47,077
(Increase) decrease in deposits, prepayments and other receivables	**(7,928)**	905
(Increase) decrease in amount due from a shareholder	**(11,194)**	8,451
Increase in held for trading investments	**(847)**	(191)
Increase in trade and other payables	**(2,731)**	(4,160)
Decrease in amount due to a related party	**473**	750
Net cash generated from operations	**110,766**	154,800
Interest paid	**(2,166)**	(2,094)
Tax paid	**(33,000)**	(25,557)
Net cash from operating activities	**75,600**	127,149
Investing activities		
Purchase of intangible assets	**(341)**	(3,871)
Purchase of property, plant and equipment	**(30,602)**	(173,266)
Increase in prepaid lease payment	**(3,420)**	—
Acquisition of investment in an associate	**—**	(8,778)
Increase in short-term bank deposits with original maturity more than three months	**(60)**	(2,000)
Interest received	**666**	492
Net cash used in investing activities	**(33,757)**	(187,423)
Financing activities		
Dividend paid	**—**	(7,501)
Repayment of borrowings	**(40,000)**	(30,000)
New borrowings raised	**40,000**	40,000
Net cash from financing activities	**—**	2,499
Net increase (decrease) in cash and cash equivalents	**41,843**	(57,775)
Cash and cash equivalents at beginning of the year	**187,081**	244,856
Cash and cash equivalents at end of the year, represented by Bank balances and cash	**228,924**	187,081

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. The principal activities of its subsidiaries is disclosed in note 36.

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

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

In the current year, the Group has applied, for the first time, a number of new and revised Hong Kong Accounting Standards ("HKAS"s), HKFRS, amendments and interpretations ("INT"s) (hereinafter collectively referred to as "new or revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are effective for the accounting period beginning on January 2010.

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.

As there was no transaction during the current year 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 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 new and revised Standards and Interpretations in current year has had no material effect on the amounts reported in these consolidated financial statements and disclsoures set out in these consolidated financial statements.

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

The Group and the Company 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 issued in 2010[1]
HKFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 24 (as revised in 2009)	Related Party Disclosures[6]
HKAS 32 (Amendments)	Classification of Rights Issues[7]
HK(IFRIC)-Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

1 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 July 2010.
3 Effective for annual periods beginning on or after 1 July 2011.
4 Effective for annual periods beginning on or after 1 January 2013.
5 Effective for annual periods beginning on or after 1 January 2012.
6 Effective for annual periods beginning on or after 1 January 2011.
7 Effective for annual periods beginning on or after 1 February 2010.

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.

3. SIGNIFICANT ACCOUNTING POLICIES

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 Growth Enterprise Market of The Stock Exchange and by the Hong Kong Companies Ordinances.

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. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principle accounting policies are set out below.

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 statement of comprehensive income 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 in full on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in subsidiaries

Investments in subsidiaries are included in the Company's statements of financial position at cost less any identified impairment loss.

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. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The 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 initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. 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. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

From 1 January 2010 onwards, upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

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.

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

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 end of the reporting 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 proportion that the cost of work carried out during the year bear to the estimated total contract costs.

When the outcome of a gas connection contract 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 distribution income are recognised when gas is supplied to customers while sales of gas appliances are recognised when goods are delivered and title has passed.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. 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 on initial recognition.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

Construction in progress represents property, plant and equipment in the course of construction for production, supply or administrative purpose are carried at cost, less any recognised impairment loss. Construction in progress are 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.

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 disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the assets and is recognised in profit or loss.

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.

Leasing

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.

The Group as leasee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leasing *(continued)*

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

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 the end of the reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items carried at fair value that are demominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. 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. Exchange differences arising on the retranslation of non-monetary items carried at fair value are include in profit or loss for the period.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

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 statement of comprehensive income 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 end of the reporting period.

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. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extend that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period 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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the assets is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly to equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

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. Intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses. (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.

Gains and losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in period when the asset is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment

At the end of each reporting period, 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 any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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 immediately in profit or loss.

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 statements of financial position 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 or 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(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 estimated 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 to the net carring amount on initial recognition.

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.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from re-measurement 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 the end of the reporting period, subsequent to initial recognition, loans and receivables (including trade receivables, other receivables, amount due from a shareholder, short-term bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy in impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. 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.

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

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.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities and equity instruments

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.

The Group's financial liabilities including trade and other payables, dividend payable, amount due to a related company and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

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.

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 in its entirety, 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 application the Group's accounting policies, which are described in note 3, the directors of the Company are required to makes 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 at the end of the reporting period that has a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year is declosed 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 directors review and revise the estimate, the actual consumption may be higher or lower than the estimates and this will affect the revenue recognised.

5. 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 year.

6. SEGMENT INFORMATION

For management purposes, the Group is divided into four divisions, namely gas connection, gas transportation, sales of piped gas and sales of gas appliances. The construction of gas pipeline infrastructure operation is not reported to the board of directors of the Company (being the chief operating decision maker). These divisions are the basis on which the Group reported its segment information, based on the financial information prepared on the PRC generally accepted accounting principles reported to the chief operating decision maker. The Group's operating segments based on information reported to the chief operating decision maker for the purposes of resource allocation and performance assessment are as follow:

1. Gas connection — provision of piped gas connection services
2. Gas transportation — transportation of gas to 天津市燃氣集團有限公司 ("Tianjin Gas")
3. Sales of piped gas — sales of piped gas to industrial and residential users
4. Sales of gas appliances

Information regarding the above segments is reported below.

6. SEGMENT INFORMATION *(continued)*

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

Year ended 31 December 2010

	Gas connection RMB'000	Gas transportation RMB'000	Sales of piped gas RMB'000	Sales of gas appliances RMB'000	Consolidated RMB'000
Segment revenue from external customers	110,430	3,883	257,602	5,872	377,787
Segment profit	76,636	1,159	31,810	1,274	110,879

Reconciliation of segment revenue

	RMB'000
Total segments revenue	377,787
Revenue from construction of gas pipeline infrastructure	5,844
Revenue	383,631

Reconciliation of segment profit

	RMB'000
Total segment profit	110,879
Profit from construction of gas pipeline infrastructure	111
Share of result of associates	4,382
Other income	6,154
Other gains and losses	565
Corporate expenses	(18,536)
Finance costs	(2,166)
Profit before tax	101,389

6. SEGMENT INFORMATION *(continued)*

Year ended 31 December 2009

	Gas connection RMB'000	Gas transportation RMB'000	Sales of piped gas RMB'000	Sales of gas appliances RMB'000	Consolidated RMB'000
Segment revenue from external customers	102,399	2,479	206,219	1,071	312,168
Segment profit	73,349	1,048	22,575	240	97,212

Reconciliation of segment revenue

	RMB'000
Total segments revenue	312,168
Revenue from construction of gas pipeline infrastructure	5,824
Revenue	317,992

Reconciliation of segment profit

	RMB'000
Total segment profit	97,212
Profit from construction of gas pipeline infrastructure	529
Share of result of associates	877
Other income	6,816
Other gains and losses	1,711
Corporate expenses	(16,147)
Finance costs	(2,094)
Profit before tax	88,904

The accounting policies of the reportable segments are the same as the Group's accounting policies, Segment profit represents the profit earned by each segment without allocation of other income, other gains and losses, share of result 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.

6. SEGMENT INFORMATION *(continued)*

Other segment information

	Gas connection		Gas transportation		Sales of piped gas		Total for all segments		Adjustments (Note 1)		Total	
	2010 RMB'000	2009 RMB'000	**2010 RMB'000**	2009 RMB'000	**2010 RMB'000**	2009 RMB'000	**2010 RMB'000**	2009 RMB'000	**2010 RMB'000**	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
Amounts included in the measure of segment profit:												
Depreciation of property, plant and equipment	**—**	—	**2,598**	1,358	**1,355**	1,296	**3,953**	2,654	**1,664**	1,572	**5,617**	4,226
Amortisation of intangible assets	**—**	—	**—**	—	**9,567**	9,645	**9,567**	9,645	**—**	—	**9,567**	9,645

Note 1. Adjustments represent corporate expenses not allocated to the measurement of segment profit.

During the year, the Group had carried out gas connection contract work with revenue of approximately RMB27,431,000 (2009: RMB23,609,000) 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.

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

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.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2010 RMB'000	2009 RMB'000
Customer A[1]	**99,949**	71,450
Customer B[1]	**45,030**	35,836

[1] Revenue from sales of piped gas.

7a. OTHER INCOME

	2010 RMB'000	2009 RMB'000
Value added tax refund	**5,461**	6,324
Bank interest income	**666**	492
Others	**27**	—
	6,154	6,816

7b. OTHER GAINS AND LOSSES

	2010 RMB'000	2009 RMB'000
Net gain on fair value change of held for trading investments	**565**	1,711

8. FINANCE COSTS

	2010 RMB'000	2009 RMB'000
Interest on bank borrowing wholly repayable within five years	**2,166**	2,094

9. INCOME TAX EXPENSE

	2010 RMB'000	2009 RMB'000
The charge comprises:		
PRC Enterprise Income Tax	**24,600**	22,441
Deferred tax (note 29)	**82**	96
	24,682	22,537

The Company and its subsidiaries are subject to PRC Enterprise Income Tax rate of 25% for the year (2009: 25%).

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.

9. INCOME TAX EXPENSE *(continued)*

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

	2010 RMB'000	2009 RMB'000
Tax expense for the year	**101,389**	88,904
Tax at the domestic income tax rate of 25%	**25,347**	22,226
Tax effect of share of results of associates	**(1,096)**	(219)
Tax effect of expenses that are not deductible in determining taxable profit	**431**	530
Tax expense for the year	**24,682**	22,537

10. PROFIT FOR THE YEAR

	2010 RMB'000	2009 RMB'000
Profit for the year has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**5,617**	4,226
Amortisation of intangible assets (included in cost of sales)	**9,567**	9,645
Total depreciation and amotization	**15,184**	13,871
Auditor's remuneration	**625**	630
Staff costs including directors' and supervisors' remuneration	**4,762**	3,756
(Gain)Loss on disposal of property, plant and equipment	**3**	—
Amortisation of prepaid lease payments (included in administrative expense)	**147**	147
Operating lease rentals in respect of rented premises	**512**	519
Reversal of allowances for bad and doubtful debts	**(316)**	—
Cost of gas purchased	**212,320**	169,985
Net loss (gain) on fair value change of held for tranding investments	**(565)**	(1,711)
Net foreign exchange losses	**(9)**	268

11. DIVIDEND

	2010 **RMB'000**	2009 RMB'000
Dividend recognised as distribution during the year:		
2010 RMB Nil (2009: 2008 Final — RMB1.5 cents)	—	17,244

No dividend was proposed during the year ended December 2010 and 2009, nor has any dividend been proposed since the end of the reporting period.

12. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the year attributable to the owners of the Company of RMB76,707,000 (2009: RMB66,367,000) and the weighted average number of shares of 1,149,600,000 (2009: 1,149,600,000 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 end of the reporting period.

13. 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:

	2010 RMB'000	2009 RMB'000
Fees	**750**	750
Salaries and other benefits	**121**	122
Retirement benefit scheme contributions	**20**	11
	891	883

Fees of directors and supervisors analysed into:

Year ended 31 December 2010

	Fees RMB'000	**Salaries and other benefits RMB'000**	**Retirement benefit scheme contributions RMB'000**	**Total RMB'000**
Bai Shaoliang	50	—	—	50
Cao Shujing	50	—	—	50
Chan Shun Kuen Eric	100	—	—	100
Dong Huiqiang	50	—	—	50
Gong Jing	50	—	—	50
Hao Li	50	39	—	89
Jin Jianping	50	—	—	50
Luo Weikun	50	—	—	50
Qi Yinfeng	50	—	—	50
Sha Jincheng	50	—	—	50
Sun Boquan	50	—	—	50
Sun Xuegan	50	82	20	152
Tang Jie	50	—	—	50
Zhang Yuli	50	—	—	50
	750	121	20	891

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

Directors and supervisors *(continued)*

Year ended 31 December 2009

	Fees RMB'000	Salaries and other benefits RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Bai Shaoliang	50	—	—	50
Cao Shujing	50	—	—	50
Chan Shun Kuen Eric	100	—	—	100
Dong Huiqiang	50	—	—	50
Gong Jing	50	—	—	50
Hao Li	50	34	—	84
Jin Jianping	50	—	—	50
Luo Weikun	50	—	—	50
Qi Yinfeng	50	—	—	50
Sha Jincheng	50	—	—	50
Sun Boquan	50	—	—	50
Sun Xuegan	50	88	11	149
Tang Jie	50	—	—	50
Zhang Yuli	50	—	—	50
	750	122	11	883

No director waived or agreed to waive any emoluments during both years.

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

Employees

The five highest paid employees in the Group for the year ended 31 December 2010 included one supervisor (2009: one supervisor). The details of the remuneration of the remaining highest paid employees for the year are as follows:

	2010 **RMB'000**	2009 RMB'000
Salaries and other benefits	**751**	522
Retirement benefit scheme contributions	**—**	—
	751	522

Their emoluments are within the following band:

	2010	2009
Nil-RMB850,900 (2009: Nil to RMB880,500) (equivalent to HK$1,000,000)	**4**	4

No emoluments were paid by the Group to the directors or supervisors or the five highest paid employees as inducement to join or upon joining the Group or as compensation for loss of office during both years.

14. PROPERTY, PLANT AND EQUIPMENT

The Group

	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 2009	33,639	—	32,597	2,301	4,714	1,913	75,164
Additions	1,575	—	2,088	432	105	169,066	173,266
Reclassification	920	66,606	—	—	—	(67,526)	—
At 31 December 2009	36,134	66,606	34,685	2,733	4,819	103,453	248,430
Additions	—	—	1,583	331	128	28,560	30,602
Reclassification	—	—	1,046	—	—	(1,046)	—
Disposal	—	—	—	(32)	—	—	(32)
At 31 December 2010	**36,134**	**66,606**	**37,314**	**3,032**	**4,947**	**130,967**	**279,000**
DEPRECIATION							
At 1 January 2009	3,729	—	2,903	997	2,550	—	10,179
Provided for the year	812	1,358	1,296	375	385	—	4,226
At 31 December 2009	4,541	1,358	4,199	1,372	2,935	—	14,405
Provided for the year	827	2,598	1,354	455	383	—	5,617
Disposal	—	—	—	(29)	—	—	(29)
At 31 December 2010	**5,368**	**3,956**	**5,553**	**1,798**	**3,318**	**—**	**19,993**
CARRYING VALUES							
At 31 December 2010	**30,766**	**62,650**	**31,761**	**1,234**	**1,629**	**130,967**	**259,007**
At 31 December 2009	31,593	65,248	30,486	1,361	1,884	103,453	234,025

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

The Company

	Buildings	Pipelines	Machinery	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST							
At 1 January 2009	33,639	—	32,597	2,285	4,714	1,913	75,148
Additions	1,575	—	2,088	402	105	169,066	173,236
Reclassification	920	66,606	—	—	—	(67,526)	—
At 31 December 2009	36,134	66,606	34,685	2,687	4,819	103,453	248,384
Additions	—	—	1,583	320	128	28,560	30,591
Reclassification	—	—	1,046	—	—	(1,046)	—
Disposal	—	—	—	(32)	—	—	(32)
At 31 December 2010	**36,134**	**66,606**	**37,314**	**2,971**	**4,947**	**130,967**	**278,939**
DEPRECIATION							
At 1 January 2009	3,729	—	2,903	997	2,550	—	10,179
Provided for the year	812	1,358	1,296	372	385	—	4,223
At 31 December 2009	4,541	1,358	4,199	1,369	2,935	—	14,402
Provided for the year	827	2,598	1,354	448	383	—	5,610
Disposal	—	—	—	(29)	—	—	(29)
At 31 December 2010	**5,368**	**3,956**	**5,553**	**1,788**	**3,318**	**—**	**19,983**
CARRYING VALUES							
At 31 December 2010	**30,766**	**62,650**	**31,761**	**1,183**	**1,629**	**130,967**	**258,960**
At 31 December 2009	31,593	65,248	30,486	1,318	1,884	103,453	233,982

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
Pipelines	25 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 2010, the Group is in the process of applying title certificates for certain buildings with a carrying value of approximately RMB2,510,000 (31.12.2009: RMB4,176,000)

15. PREPAID LEASE PAYMENTS

The Group's and the Company's prepaid lease payments comprise:

	31 December 2010 RMB'000	31 December 2009 RMB'000
Leasehold land in the PRC:		
Medium-term lease	**8,441**	5,168
Analysed for reporting purpose as:		
Current portion (included in deposits, prepayment and other receivables)	**215**	147
Non-current portion	**8,226**	5,021
	8,441	5,168

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

16. INTANGIBLE ASSETS

The Group and the Company

	Right for distribution of gas RMB'000
COST	
At 1 January 2009	230,371
Additions	15,611
At 31 December 2009	245,982
Additions	4,799
At 31 December 2010	**250,781**
AMORTISATION	
At 1 January 2009	28,797
Provided for the year	9,645
At 31 December 2009	38,442
Provided for the year	9,567
At 31 December 2010	**48,009**
CARRYING VALUES	
At 31 December 2010	**202,772**
At 31 December 2009	207,540

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.

17. CONTRACT WORK IN PROGRESS

The Group's and the Company's contract work in progress included contract costs incurred plus recognised profits of RMB847,000 (31.12.2009: RMB3,824,000).

18. INVESTMENTS IN SUBSIDIARIES

	The Company	
	31 December 2010 RMB'000	31 December 2009 RMB'000
Unlisted shares, at cost	**20,000**	20,000

19. INTERESTS IN ASSOCIATES

	The Group		The Company	
	31 December 2010 RMB'000	31 December 2009 RMB'000	**31 December 2010 RMB'000**	31 December 2009 RMB'000
Cost of investment in associates				
— unlisted	**16,483**	16,483	**8,778**	8,778
Share of post-acquisition profits	**5,231**	849	**—**	—
	21,714	17,332	**8,778**	8,778

As at 31 December 2010 and 2009, the Group and the Company had interests in the following associates:

19. INTERESTS IN ASSOCIATES *(continued)*

The Group

Name of entity	Form of entity	Place of registration/ Principal place of operation	Proportion of nominal value of issued capital held by the Group		Proportion of voting power held		Principal activity
			2010	2009	**2010**	2009	
Indirectly-owned associate							
貴州津維礦業投資有限公司	Incorporated	PRC	**49%**	49%	**49%**	49%	Mining business
Directly-owned associate							
天津市濱海燃氣有限公司	Incorporated	PRC	30.55%	30.55%	30.55%	30.55%	Gas supply

The Company

Name of entity	Form of entity	Place of registration/ Principal place of operation	Proportion of nominal value of issued capital held by the Group		Proportion of voting power held		Principal activity
			2010	2009	**2010**	2009	
Directly-owned associate							
天津市濱海燃氣有限公司	Incorporated	PRC	**30.55%**	30.55%	**30.55%**	30.55%	Gas supply

Included in the cost of investment in associates is goodwill of RMB3,597,000 (31.12.2009: RMB3,597,000) arising on acquisition of associate during 2009.

19. INTERESTS IN ASSOCIATES *(continued)*

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

	31 December 2010 RMB'000	31 December 2009 RMB'000
Total assets	**225,357**	192,588
Total liabilities	**(175,516)**	(157,091)
Net assets	**49,841**	35,497
Group's share of net assets of associates	**18,117**	13,735

	Year ended 31 December 2010 RMB'000	Year ended 31 December 2009 RMB'000
Revenue	**156,560**	88,935
Profit for the year	**14,344**	2,870
Group's share of result of associates for the year	**4,382**	877

20. INVENTORIES

	The Group and the Company	
	31 December 2010 RMB'000	31 December 2009 RMB'000
Gas appliances	**466**	171
Gas	**154**	66
Spare parts and consumables	**203**	180
	823	417

21. TRADE RECEIVABLES/PREPAYMENT AND OTHER RECEIVABLES

	The Group and the Company	
	31 December 2010 RMB'000	31 December 2009 RMB'000
Trade receivables	**61,220**	82,575
Less: impairment loss recognised	**(12,674)**	(12,902)
Net trade receivables	**48,546**	69,673
Other receivables	**5,494**	4,980
Less: impairment loss recognised	**(2,655)**	(2,743)
Total other receivables	**2,839**	2,237
Prepayment	**8,797**	1,289
	11,636	3,526

Movement in impairment loss recognised:

	The Group and the Company	
	31 December 2010 RMB'000	31 December 2009 RMB'000
Trade receivables:		
Balance at beginning of the year	**12,902**	12,902
Amounts recovered during the year	**(228)**	—
Balance at end of the year	**12,674**	12,902
Other receivables:		
Balance at beginning of the year	**2,743**	2,743
Amounts recovered during the year	**(88)**	—
Balance at end of the year	**2,655**	2,743

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

Included in the carrying amount of trade and other receivables as at 31 December 2010 was accumulated impairment loss of RMB12,674,000 (31.12.2009: RMB12,902,000) and RMB2,655,000 (31.12.2009: RMB2,743,000) for trade receivables and other receivables respectively, most of which was past due for over one year as at the end of the reporting 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. The following is an aged analysis of trade receivable presented based on the invoice date at the end of the reporting period.

The aged analysis of trade debtors net of allowance based on invoice date is as follows:

	The Group and the Company	
	31 December 2010 RMB'000	31 December 2009 RMB'000
0 — 90 days	**18,527**	21,698
91 — 180 days	**6,557**	—
181 — 270 days	**1,017**	1,959
271 — 365 days	—	3,006
Over 365 days	**22,445**	43,010
	48,546	69,673

Before accepting any new customer, the Group will assess credit worthiness by customer in considering the customer's quality and determine the credit terms for that customers. In addition, the Group has reviewed the repayment history of receivables by each customer with reference to the payment terms stated in contracts to determine the recoverability of a trade receivable. In the opinion of the directors, In the opinion of the directors, receivables neither past due nor impaired have good settlement records and no default history at the end of the reporting.

Included in the Group's and the Company's trade receivables balance are debtors with aggregate carrying amount of RMB23 million (2009: RMB48 million) which are past due at the reporting date for which the Group and the Company has not provided for impairment loss because there has no significant change in credit quality of that customers and the amounts are still considered recoverable. The Group and the Company do not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group and the Company to the counterparty.

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

Aging of trade receivables based on invoice date which are past due but not impaired:

	The Group and the Company	
	31 December 2010 RMB'000	31 December 2009 RMB'000
181-270 days	**1,017**	1,959
271-365 days	**—**	3,006
Over 365 days	**22,445**	43,010
	23,462	47,975

Aging of trade receivables based on invoice date over one year which are past due but not impaired was from a customer. Pursuant to a repayment schedule signed by the customer in March 2010, the customer will settle its outstanding balance by instalments. The closing balance amounting to RMB 22,445,000 will be repaid in 2011.

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

The Group and the Company

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 35 (a). Both the amount due from a shareholder and amount due to a related party were aged within 90 days at the end of the reporting date.

23. HELD FOR TRADING INVESTMENTS

The Group

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

The Group and the Company

Bank balances carry interest at market rate at 0.36% (31.12.2009: 0.36% to 1.8%) per annum.

25. TRADE AND OTHER PAYABLES

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

	The Group and the Company	
	31 December 2010 RMB'000	31 December 2009 RMB'000
0-90 days	**10,912**	16,976
91-180 days	**123**	301
181-270 days	**41**	90
271-365 days	**—**	—
Over 365 days	**1,101**	759
	12,177	18,126

26. BORROWINGS

	The Group and the Company	
	31 December 2010 RMB'000	31 December 2009 RMB'000
Unsecured bank loan	**40,000**	40,000

The above loan was unsecured, carried People Bank of China interest rate at floating rate of 5.31% (31.12.2009: 5.31%) per annum and will be repaid on or before 28 January 2011 (31.12.2009: 12 February 2010).

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 2009, 31 December 2009 and 31 December 2010	649,540,000	500,060,000	114,960

28. SHARE PREMIUM AND RESERVES

The Company

	Attributable to owners of the Company				
	Share premium	Statutory surplus reserves	Enterprise expansion fund	Accumulated profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2009	267,672	16,980	3,071	187,171	474,894
Profit for the year and total comprehensive income for the year	—	—	—	64,760	64,760
Dividends recognised as distribution (note 11)	—	—	—	(17,244)	(17,244)
Appropriation	—	6,032	3,016	(9,048)	—
At 31 December 2009	267,672	23,012	6,087	225,639	522,410
Profit for the year and total comprehensive income for the year	—	—	—	72,113	72,113
Appropriation	—	6,628	3,315	(9,943)	—
At 31 December 2010	267,672	29,640	9,402	287,809	594,523

29. DEFERRED TAXATION

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

The Group and the Company

	Provision for bad and doubtful debts RMB'000	Accelerated tax depreciation RMB'000	Service concession arrangement RMB'000	Total RMB'000
At 1 January 2009	(2,889)	440	277	(2,172)
Charge (credit) for the year	—	(25)	121	96
At 31 December 2009	(2,889)	415	398	(2,076)
Charge (credit) for the year	78	(24)	28	82
At 31 December 2010	(2,811)	391	426	(1,994)

For the purpose of presentation in the statements of financial position, certain deferred tax assets and liabilities have been offset, the following is the analysis of the deferred tax balances for financial reporting purpose:

	The Group and the Company	
	31 December 2010 RMB'000	31 December 2009 RMB'000
Deferred tax assets	**2,811**	2,889
Deferred tax liabilities	**(817)**	(813)
	1,994	2,076

30. OPERATING LEASE COMMITMENTS

The Group and the Company as lessee

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

	The Group and the Company	
	31 December 2010 RMB'000	31 December 2009 RMB'000
Within one year	**449**	427
In the second year	**382**	—
	831	427

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

31. CAPITAL RISK MANAGEMENT

The Group and the Company manage its capital to ensure that entities in 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 Group's and the Company's overall strategy remains unchanged from prior year.

The capital structure of the Group and the Company consist of borrowings (note 26), net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated profits.

The directors of the Company review 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 as well as the raise of borrowings.

32. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	The Group		The Company	
	31 December 2010 RMB'000	31 December 2009 RMB'000	**31 December 2010 RMB'000**	31 December 2009 RMB'000
Financial assets				
Loans and receivables (including cash and cash equivalents)	**294,999**	261,821	**284,317**	250,665
Held for trading investments	**2,460**	1,613	**—**	—
Financial liabilities				
Amortised cost	**79,731**	82,655	**79,518**	82,512

b. Financial risk management objectives and policies

The Group's principal financial instruments include trade receivables, other receivables, held for trading investment, trade and other payables, amounts due from/(to) a shareholder and a related party, short-term bank deposits, bank balances and borrowings. The Company's principal financial instruments include trade and other receivables, trade and other payables, amounts due from/(to) a shareholder and a related party, bank balances and borrowings. 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 directors manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The Group's and the Company's credit risk is primarily attributable to its trade and other receivables. In order to minimise the credit risk, the directors of the Company 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 the end of the reporting period 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 and the Company are exposed to some concentration of credit risk on trade receivables. At 31 December 2010, the five largest debtors accounted for approximately RMB43,383,000 (89%) (2009: RMB53,204,000 (76%)), of the Group's and the Company'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.

32. FINANCIAL INSTRUMENTS *(continued)*

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

Credit risk *(continued)*

The table below shows the carrying amount of 5 largest trade debtors of the Group and the Company at the end of reporting date:

Counterparty	Location	**31 December 2010 Carrying amount RMB'000**	31 December 2009 Carrying amount RMB'000
Company A	The PRC	**21,652**	32,852
Company B	The PRC	**7,476**	—
Company C	The PRC	**5,040**	6,714
Company D	The PRC	**5,634**	6,634
Company E	The PRC	**3,581**	—
Company F	The PRC	**—**	3,881
Company G	The PRC	**—**	3,123

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

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 and the Company 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 and the Company's geographical concentration of credit risk is totally in the PRC as at 31 December 2010 and 2009.

32. FINANCIAL INSTRUMENTS *(continued)*

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

Market risk

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

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

(i) Interest rate risk

The Group and the Company is exposed to cash flow interest rate risk through the impact of changes on floating-interest bearing liabilities, mainly bank borrowings at prevailing market interest rates. The Group and the Company currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the directors 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 borrowings and bank deposit at the end of the reporting period and assumed that the amount of liabilities outstanding at the end of the reporting period was outstanding for the whole year.

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

	The Group and the Company	
	2010	2009
	RMB'000	RMB'000
Decrease in post-tax profit for the year	**(142)**	(143)

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

32. FINANCIAL INSTRUMENTS *(continued)*

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

Market risk

(ii) Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities. The Group has appointed a 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 end of the reporting date.

If the prices of the respective equity instruments had been 10% (2009: 10%) higher/lower, post- tax profit for the year ended 31 December 2010 would increase/decrease by RMB185,000 (2009: RMB121,000) as a result of the changes in fair value of the held-for-trading investments.

Liquidity risk

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 and the Company manages liquidity risk by maintaining adequate reserves of cash and banking facilities and by continuously monitoring forecast, actual cash flows and 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 directors consider that the Group expects to have adequate source of funding to finance the Group and manage the liquidity position.

The following table details the remaining contractual maturity for the financial liabilities of the Group as at 31 December 2010 and 2009 based on the agreed repayment terms. 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 table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period.

32. FINANCIAL INSTRUMENTS *(continued)*

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

Liquidity risk *(continued)*

The Group

	Weighted average effective interest rate %	Less than 3 months RMB'000	3 months to 1 year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
Non-derivative financial liabilities					
As at 31 December 2010					
Trade and other payables	—	28,084	—	28,084	28,084
Dividend payables	—	9,743	—	9,743	9,743
Borrowings	5.31	40,163	—	40,163	40,000
Amount due to a related party	—	1,298	—	1,298	1,298
		79,894	—	79,894	79,731
As at 31 December 2009					
Trade and other payables	—	32,087	—	32,087	32,087
Dividend payables	—	9,743	—	9,743	9,743
Borrowings	5.31	40,256	—	40,256	40,000
Amount due to a related party	—	825	—	825	825
		82,911	—	82,911	82,655

32. FINANCIAL INSTRUMENTS *(continued)*

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

Liquidity risk *(continued)*

The Company

	Weighted average effective interest rate	Less than 3 months	3 months to 1 year	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000
Non-derivative financial liabilities					
As at 31 December 2010					
Trade and other payables	—	27,871	—	27,871	27,871
Dividend payables	—	9,743	—	9,743	9,743
Borrowings	5.31	40,163	—	40,163	40,000
Amount due to a related party	—	1,298	—	1,298	1,298
		79,075	—	79,075	78,912
As at 31 December 2009					
Trade and other payables	—	31,944	—	31,944	31,944
Dividend payables	—	9,743	—	9,743	9,743
Borrowings	5.31	40,256	—	40,256	40,000
Amount due to a related party	—	825	—	825	825
		82,768	—	82,768	82,512

32. FINANCIAL INSTRUMENTS *(continued)*

c. Fair value

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.

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 end of the reporting date.

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	31 December 2010			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at FVTPL				
Held for trading investments	2,460	—	—	2,460

	31 December 2009			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at FVTPL				
Held for trading investments	1,613	—	—	1,613

33. CAPITAL COMMITMENTS

(1) At the end of the reporting date, the Group and the Company has the following commitments:

	31 December 2010 RMB'000	31 December 2009 RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**2,067**	—
Capital expenditure authorised but not contracted for in respect of acquisition of property, plant and equipment	**15,305**	18,397

(2) 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 Transmission Branch and the First Sales Branch of Tianjin Gas (both are branches of Tianjin Gas), including outdoor pipelines, in the consideration for issuing 689,707,800 shares of the Company. This transaction has not been completed up to the date the consolidated financial statements are authorised for issue.

(3) Pursuant to the 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 fee RMB6,538,700), this transaction has been approved by the shareholders in March 2009 and the Group has paid construction fee and entrustment fee amounted to RMB26,240,000 (year ended 31.12.2009: RMB162,641,000) to Tianjin Gas during the year ended 31 December 2010.

34. 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 RMB542,000 (year ended 31.12.2009: RMB329,000).

35. RELATED PARTY TRANSACTIONS/BALANCES

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

Name of related party	Relationship	Nature of transactions	The Group and the Company 31 December 2010 RMB'000	31 December 2009 RMB'000
Tianjin Gas (Note i)	Shareholder	Purchase of gas	**207,918**	165,451
		Construction fee paid	**22,276**	160,701
		Entrustment fee	**3,964**	1,940
		Gas distribution income	**3,884**	2,479
天津市煤氣工程設計院 (Note ii)	Related party	Construction design fee	**1,904**	965

Name of related party	Relationship	Nature of balances	The Group and the Company 31 December 2010 RMB'000	31 December 2009 RMB'000
Tianjin Gas (Note i)	Shareholder	Amount due from a shareholder	**12,024**	830
天津市煤氣工程設計院 (Note ii)	Related party	Amount due to a related party	**1,298**	825

Notes:

(i) Tianjin Gas is the substantial shareholder of the Company.

(ii) 天津市煤氣工程設計院 is a wholly owned subsidiary of Tianjin Gas.

(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 Transmission Branch and the First Sales Branch of Tianjin Gas (both are branches of Tianjin Gas), including outdoor pipelines, in the consideration for issuing 689,707,800 shares of the Company. This transaction has not been completed up to the date the consolidated financial statements is authorised for issue.

35. RELATED PARTY TRANSACTIONS/BALANCES

(c) Compensation of key management personnel

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

	The Group	
	31 December 2010 RMB'000	31 December 2009 RMB'000
Short-term benefit	**1,622**	1,394
Post employment benefit	**20**	11
	1,642	1,405

36. SUBSIDIARIES

Details of the Company's subsidiaries at 31 December 2010 and 2009 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	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) Both subsidiaries of the Company are limited liability companies established in the PRC.

FIVE YEAR SUMMARY

CONSOLIDATED INCOME STATEMENT

	For the year ended 31 December				
	2010	2009	2008	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**383,631**	317,992	217,169	178,871	93,702
Cost of sales	**(275,654)**	(222,326)	(109,848)	(73,125)	(36,582)
Gross profit	**107,977**	95,666	107,321	105,746	57,120
Other income	**6,154**	6,816	10,180	3,839	2,908
Other gains and losses	**565**	1,711	284	—	—
Selling expenses	**(26)**	(27)	(57)	(42)	(155)
Administrative expenses	**(15,497)**	(14,045)	(33,715)	(12,822)	(14,491)
Finance costs	**(2,166)**	(2,094)	(2,260)	(2,406)	(1,829)
Share of profit of associates	**4,382**	877	(28)	—	—
Profit before tax	**101,389**	88,904	81,725	94,315	43,553
Income tax expense	**(24,682)**	(22,537)	(21,385)	(31,980)	(15,125)
Profit for the year and total comprehensive income for the year	**76,707**	66,367	60,340	62,335	28,428
Profit for the year and total comprehensive income for the year attributable to owners of the Company	**76,707**	66,367	60,475	62,335	28,428
Earnings per share — basic (RMB cents)	**6.7**	5.8	5.4	6.3	2.9

CONSOLIDATED BALANCE SHEET

	As at 31 December				
	2010 RMB'000	2009 RMB'000	2008 RMB'000	2007 RMB'000	2006 RMB'000
Non-current assets					
Property, plant and equipment	**259,007**	234,025	64,985	52,841	184,541
Prepaid lease payments	**8,226**	5,021	5,168	5,315	5,462
Intangible assets	**202,772**	207,540	201,574	120,233	—
Contract work in progress	**847**	3,824	13,596	12,241	—
Interests in associates	**21,714**	17,332	7,677	—	—
Prepayment	**136**	162	108	134	161
Deferred tax assets	**2,811**	2,889	2,889	—	—
	495,513	470,793	295,997	190,764	190,164
Current assets					
Inventories	**823**	417	706	978	1,160
Trade receivables	**48,546**	69,673	116,750	91,505	55,961
Prepayment and other receivables	**11,636**	3,526	4,485	5,931	2,854
Amount due from a shareholder	**12,024**	830	9,281	11,230	—
Held for trading investments	**2,460**	1,613	1,422	—	—
Short-term bank deposits with original maturity more than three months	**2,060**	2,000	—	—	—
Bank balances and cash	**228,924**	187,081	244,856	69,952	31,531
	306,473	265,140	377,500	179,596	91,506
Current liabilities					
Trade and other payables	**30,383**	33,114	37,274	35,161	20,607
Dividend payable	**9,743**	9,743	—	—	—
Income tax payable	**4,476**	12,876	15,992	26,608	11,275
Borrowings	**40,000**	40,000	30,000	30,000	30,000
Amount due to a related party	**1,298**	825	75	496	3,978
	85,900	96,558	83,341	92,265	65,860
Net current assets	**220,573**	168,582	294,159	87,331	25,646
Total assets less current liabilities	**716,086**	639,375	590,156	278,095	215,810

FIVE YEAR SUMMARY

	As at 31 December				
	2010	2009	2008	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Capital and reserves					
Share capital	**114,960**	114,960	114,960	99,500	99,500
Share premium and reserves	**600,309**	523,602	474,479	177,999	115,664
Equity attributable to owners of the Company	**715,269**	638,562	589,439	277,499	215,164
Non-current liability					
Deferred tax liabilities	**817**	813	717	596	646
	716,086	639,375	590,156	278,095	215,810