2009
ANNUAL REPORT

天津天聯公用事業股份有限公司
TIANJIN TIANLIAN PUBLIC UTILITIES COMPANY LIMITED

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

Stock Code: 8290

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

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

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Company Information

Directors

Executive Directors

Jin Jian Ping
Dong Hui Qiang
Bai Shao Liang
Tang Jie

Non-executive Directors

Sun Bo Quan *(Chairman)*
Gong Jing

Independent Non-executive Directors

Zhang Yu Li
Luo Wei Kun
Chan Shun Kuen, Eric

Independent Supervisors

Qi Yin Feng
Sha Jin Cheng

Supervisors

Cao Shu Jing
Sun Xue Gang
Hao Li

Company Secretary

Kwok Shun Tim CPA ACCA MSC LLM

Authorised Representatives

Dong Hui Qiang
Kwok Shun Tim

Compliance Officer

Jin Jian Ping

Audit Committee

Zhang Yu Li
Luo Wei Kun
Chan Shun Kuen, Eric

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 2201-2203, 22nd Floor
Jardine House
1 Connaught Place
Central, Hong Kong

Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1901-1905
Hopewell Centre
183 Queen's Road East, Hong Kong

Principal Banker

Agricultural Bank of China
Tianjin He Xi Sub-branch
PRC

Stock Code

08290

3 Financial Summary

	2009 RMB'000	2008 RMB'000
Revenue	**317,992**	217,169
Gross profit	**95,666**	107,321
Profit for the year and total comprehensive income for the year attributable to owners of the Company	**66,367**	60,475
Shareholders' interest	**638,562**	589,439
Total assets	**735,933**	673,497

	2009 RMB (cents)	2008 RMB (cents)
Earnings per share	**5.8**	5.4

Chairman's Statement

To all the shareholders:

The performance of Tianjin Tianlian Public Utilities Company Limited (the "Company") and its subsidiaries (collectively the "Group") attained a good business development and gained a higher market share. We believe that the Group will achieve a satisfactory result for our shareholders in year 2010.

Development of the PRC Gas Sector

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

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

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

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

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

Business Development

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

Chairman's Statement

Prospects

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

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

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

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

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

Appreciation

I would like to take this opportunity to thank our shareholders, customers and business associates for their continual supports and our staff for their diligence and contribution during the past year. We are a company with a qualified and professional working team and I look forward to a more rewarding 2010 for our shareholders.

Sun Bo Quan
Chairman

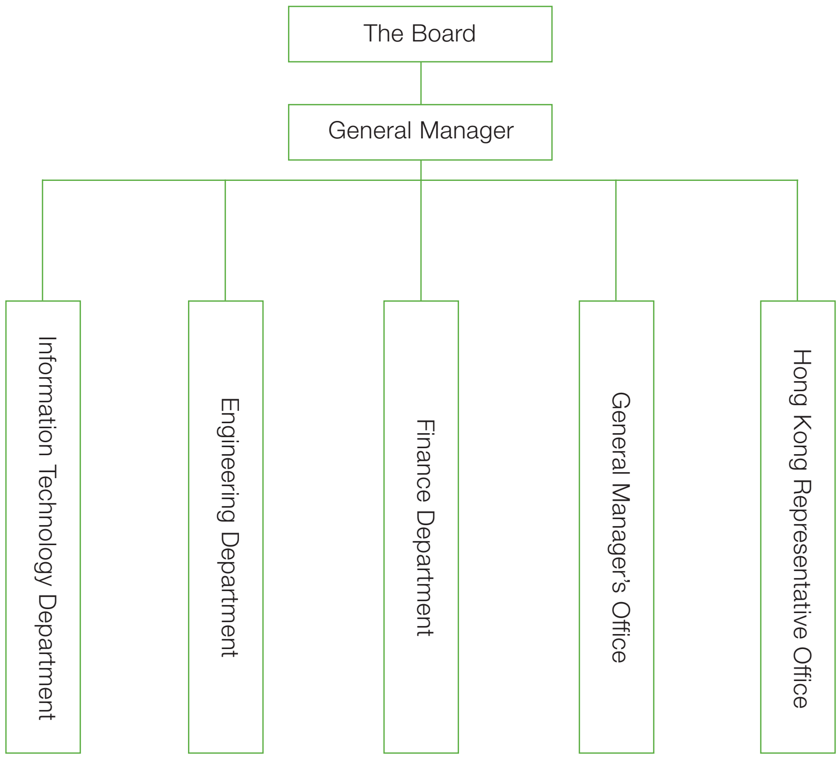
The PRC, 26 March 2010

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 2010.

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.

In order to further expand the Group's business in Tianjin, on 8 May 2009, the Company entered into a capital increase agreement with 天津市燃氣集團有限公司 ("Tianjin Gas") (one of the promoters and substantial shareholder of the Company) and Tianjin Public Infrastructure Construction Company ("Tianjin Infrastructure") (wholly-owned subsidiary of Tianjin Gas), both being the original shareholders of Tianjin Binhai Gas Limited ("Binhai Company"), whereby the Company agreed to contribute RMB8,778,000 (approximately HK$9,966,000) in cash in Binhai Company and become a new shareholder of Binhai Company, whereas Tianjin Gas and Tianjin Infrastructure agreed to accept the Company as a new shareholder of Binhai Company. Upon completion of the capital increase, the registered capital of Binhai Company increased from RMB5,000,000 (of which RMB3,000,000 (60%) was contributed by Tianjin Gas and RMB2,000,000 (40%) was contributed by Tianjin Infrastructure) to RMB7,200,000, whereas the equity interest of Binhai Company was owned as to 30.55%, 41.67% and 27.78% respectively by the Company, Tianjin Gas and Tianjin Infrastructure. RMB2,200,000 out of the said contribution of RMB8,778,000 (approximately HK$2,498,000) became the registered capital of Binhai Company, while the remaining RMB6,578,000 was transformed as the reserve fund of Binhai Company.

Management Discussion and Analysis

As Tianjin Gas is one of the promoters and a substantial shareholder of the Company, the entering into the capital increase agreement also constitutes a connected transaction of the Company and is subject to reporting and announcement requirements under the GEM Listing Rules. For details, please refer to the Company's announcement dated 11 May 2009.

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.

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.

Business Review

For the year ended 31 December 2009, the Group reported a revenue of approximately RMB317,992,000, representing an increase of approximately 46.43% 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 2009 amounted to approximately RMB66,367,000 (2008: approximately RMB60,475,000) representing an increase of approximately 9.74%.

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 three areas, in order to attain its strategic objectives for this year.

Financial Resources

The Group is generally funded by equity financing and bank borrowings. As at 31 December 2009, the Group had bank borrowings of RMB40,000,000 from Industrial Bank Co., Ltd.. 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 Group's asset liability ratio (total liabilities to total asset rate) as at 31 December 2009 was approximately 0.13.

Contingent Liabilities

As at 31 December 2009, the Group had no material contingent liabilities or guarantees.

Staff and Emolument Policy

As at 31 December 2009, the Group had a workforce of 82 full-time employees, among which 98.78% were working in mainland China.

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

Prospects

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

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

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

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

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

Acknowledgement

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

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

The PRC, 26 March 2010

9 Directors, Supervisors and Senior Management

Directors

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

Executive Directors

Mr. Jin Jian Ping, aged 50, who holds the title of senior engineer, is currently the general manager, vice secretary to the Party Committee and vice chairman of the board of Tianjin Gas, which is a substantial shareholder of the Company.

Mr. Dong Hui Qiang, aged 56, is the chief economist of Tianjin Gas, a substantial shareholder of the Company. Mr. Dong is also a director of Tianjin Tianlian Investment Co., Ltd. (天津天聯投資有限公司), a subsidiary of the Company. Mr. Dong is a graduate of the postgraduate course for investment management organized by Chinese Academy of Social Sciences. Before joining Tianjin Gas, he was the vice general manager and chief economist of Tianjin Water Works Group Company (天津市自來水集團有限公司).

Mr. Bai Shao Liang, aged 50, is the general manager and chairman of Wanshun Real Estate, which is a substantial shareholder of the Company. Mr. Bai is also the chairman of Wanshun Business Development.

Ms. Tang Jie, aged 42, has been appointed as an executive Director since December 2001 and is also the vice general manager of the Company responsible for financial planning of the Group. Ms. Tang graduated from Tianjin University of Finance and Economics (天津財經學院), major in accounting studies, in 1991. From 1989 to 1992, she worked for Kai Lian Company (開聯公司) as an account staff. During the years from 1992 to 1996, she worked for Tianjin Ming Da Real Estate Development Company (天津明達房地產開發公司) and subsequently worked for Tianjin City Wang On Real Estate Development Company Limited (天津市宏安房地產開發有限公司), a PRC private company, responsible for accounting work until 1998. Since the incorporation of the Company in December 1998, she has been working for the Company as an accountant and the vice general manager in the finance department.

Non-executive Directors

Mr. Sun Bo Quan, aged 58, is the Chairman of the Company. He is also the chairman of the board of Tianjin Gas, which is one of the substantial shareholders of the Company. Mr. Sun is a postgraduate and before he joined Tianjin Gas, he was the vice bureau head and deputy chief economist of Tianjin Public Utility Bureau (天津市公用局).

Mr. Gong Jing, aged 45, has been appointed as a non-executive Director since December 2001. He graduated with a master degree as a research student in Meticulous Electronic Device Studies from University of Tianjin. From 1989 to 1993, he joined Tianjin Guang Dian Communication Company (天津光電通信公司) as an officer and was then promoted as an assistant branch factory manager and finally became the director of External Affairs. From 1993 to 1994, he acted as the Vice General Manager of Tianjin Tian Ma Entertainment Limited (天津天馬娛樂有限公司) and was promoted as the assistant general manager and executive manager of Tianjin Tian Ma Technology Trading Company Limited (天津天馬科貿總公司). During the period from 1994 to 1996, he became the assistant director of foreign affairs of the Tianjin New Technology Production Park Management Commission (天津新技術產業園區管理委員會) and from 1996 to 2001, he took up various positions as the secretary of Deputy Mayor of Tianjin City Government, assistant director of the State Ministry of Information Industry in the PRC and assistant to chief officer of the Committee of Tianjin New Technology Management District respectively. Since 2001, he has been acting as the general manager of the Investment Development Department of both Tianjin Tsinlien Investment Trading Co., Ltd. (天津津聯投資貿易有限公司) and Tsinlien Group Co., Ltd. (津聯集團有限公司).

Independent Non-executive Directors

Professor Zhang Yu Li, aged 44, has been appointed as an independent non-executive Director since 25 June 2007. He graduated from Nan Kai University (南開大學). He received a bachelor degree of Economic Management in 1987, a master degree in corporate management in 1989 and a doctorate degree in corporate management in 1995. In 1990, Professor Zhang became the deputy dean of the School of Business of Nan Kai University. Since 2003, he is the head of the Business Administration Research Centre of the School of Business of Nan Kai University. Professor Zhang is currently an independent director of 天津百利特精電氣股份有限公司 (Tianjin Benefo Tejing Electric Company Limited), whose A shares are listed on the Shanghai Stock Exchange.

Mr. Luo Wei Kun, aged 70, has been appointed as an independent non-executive Director since October 2002. He graduated in Tsinghua University (清華大學) with a bachelor's degree in civil engineering in 1964 and started postgraduate studies in the same year. He was awarded a postgraduate diploma in 1967. He acted as a technician in Chinese Medicine Industrial Limited Wuhan Branch (中國醫藥工業公司武漢分公司) during 1968 to 1969 and as technician, deputy section chief, section chief, engineer and vice chief engineer in the State Ministry of Medicine-Hubei Medical Manufactory Branch (國家醫葯總局湖北制藥廠制劑分廠) from 1969 to 1985. He worked as a senior engineer, section chief and assistant factory manager in Tianjin Second Coal Gas Factory (天津市第二煤氣廠) from 1986 to 1992. From 1992 to 2000, he acted as vice chief engineer in Tianjin City Gas Administrative Office (天津市燃氣管理處). After his retirement in March 2000, Mr. Luo acted as a consultant of Tianjin City Gas Administrative Office and Tianjin City Gas Planning Office. Currently, he is a general director of the China Urban Cola Gas Association, a committee member of the technical committee of the China Gas Association and a member of the technical consultant committee in the Planning Office of Tianjin City. Mr. Luo is currently an independent non-executive director of China Leason Investment Group Co., Limited (中國聯盛投資集團有限公司), whose shares are listed on the GEM board (Stock Code: 8270).

Mr. Chan Shun Kuen, Eric, aged 48, is a director of the Development Principles Fund Management Group. Mr. Chan is an associate member of Hong Kong Institute of Certified Public Accounts (formerly known as Hong Kong Society of Accountants). Mr. Chan is currently a non-executive director of Blu Spa Holdings Limited, whose shares are listed on the GEM board (Stock Code: 8176).

Directors, Supervisors and Senior Management

Supervisors

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

Mr. Cao Shu Jing, aged 58, graduated from Tianjin Management Institute and majors in corporate ideological and political work, holds the title of senior political officer, and is currently vice general manager of Tianjin Gas.

Independent Supervisors

Professor Qi Yin Feng, aged 72, appointed as an independent Supervisor in October 2002. He graduated from Nan Kai University (南開大學) with a bachelor's degree in Management in 1962. Since graduation, he taught at the same university and had also acted in various positions as the assistant officer in the Faculty of Management, the Chinese co-ordinator in the Sino-French Enterprise Management Training Centre (中法企業管理幹部高級培訓中心). During the years from 1983 to 1985, he taught at the York University in Canada as visiting professor in the area of enterprise management and has taught in various universities in North America, Europe and Asia as visiting student. In 1990, he was awarded the Third Prize of the Technology Advance Award (科技進步三等獎) by State Technology Commission (國家科技委員會). Since 1962, he had acted an assistant director in the Tianjin Society of System Engineering (天津市系統工程學會) and the Executive Director in Tianjin Society of Management (天津市管理學會). In January 2002, he had completed the training for independent directors jointly organized by the CSRC and Tsing Hua University (清華大學).

Mr. Sha Jin Cheng, aged 65, was redesignated as an independent Supervisor on 25 June 2007. He graduated from Hua Dong Chemical College (華東化工學院) major in Organic Chemical Engineering studies in 1968. Since graduation, he had worked for Tianjin Paint Main Factory (天津油漆總廠) in the areas of colouring technology until 1979. During the period from 1980 to 1981, he studied International Economy Management in Beijing Technical College in International Economics (北京國際經濟管理學院). He then worked for Long-Term Planning Department of Tianjin Chemical Bureau (天津市化工局長遠規劃處) from 1982 to 1991 and Department of Foreign Investment of Tianjin City (天津市外經貿委外資處) from 1992 to 1996. Since 1996, he has been working as the deputy general manager in the investment department of Tsinlien Group Company Limited (津聯集團有限公司).

Directors, Supervisors and Senior Management

Staff Representative Supervisors

Mr. Sun Xue Gang, aged 34, graduated from Tianjin Finance College, major in Economic Information Management. Between 1997 and 2006, he had worked for 天津市自來水集團有限公司 (Tianjin Water Works Group Company) in the department of human resources, the Committee of the Communist Youth League as a deputy secretary and the retail branch of Northern Tianjin as a deputy manager. Since 2006, Mr. Sun has acted as the deputy general manager of the Company.

Ms. Hao Li, aged 39, graduated from the School of Tianjin Committee of the Communist Party, major in economic management. Ms. Hao had worked in the planning department of Tianjin Gas between 1988 and 2005. Since 2005, she has worked in the management department of the Company.

Company Secretary

Mr. Kwok Shun Tim, aged 35, graduated from the Hong Kong University of Science and Technology and obtained a bachelor degree (business administration) and he also obtained a master degree in China Business Studies from the Hong Kong Polytechnic University and a master degree in International Economic Law from the City University of Hong Kong. He is a fellow member of The Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Kwok is experienced in the field of corporate finance, financial management and company secretarial services.

Senior Management

Mr. Zheng Tai Qi (鄭太琪先生), aged 57, tertiary educated, senior engineer, had been a deputy manager of the First Sales Branch of Tianjin Gas and has been appointed as the general manager of the Company since December 2004.

Ms. Zhang Zhi Hua, aged 51, tertiary educated, graduated from 天津市城建學院 (Tianjin City Construction College). She is a senior engineer. She was the section head of the measurement technical section of the First Sales Branch of Tianjin Gas, and the chief engineer of He Ping Suo. She has acted as the chief engineer of the Company since April 2008.

Ms. Sun Xue Gang, aged 34. Details of his biography are set out in the paragraph headed “Staff Representative Supervisors” above.

Ms. Wang Li Ping, aged 45, tertiary educated, an accountant, graduated from Finance College of Tianjin City in 1985. She had been the deputy head of the Financial Department of Tianjin Gas. Since April 2005, she has been the manager of the Finance Department of the Company.

Corporate Governance Report

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 2009.

Key Corporate Governance Principles and the Company's Practices

The Board

Roles of Directors

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

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

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

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

Composition

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

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

Appointment and Re-election of Directors

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

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

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

The Board has considered in a board meeting the policy for the nomination of directors, and selection of candidate to fill a casual vacancy in the year 2009.

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. Four Board meetings were held in 2009 and the average attendance rate was 92 per cent. Individual attendance records are set out below.

Corporate Governance Report

Board Attendance

No of meetings held during the year	4
Executive Directors	
Jin Jian Ping	3/4
Dong Hui Qiang	4/4
Bai Shao Liang	4/4
Tang Jie	4/4
Non-executive Directors	
Sun Bo Quan *(Chairman)*	4/4
Gong Jing	3/4
Independent Non-executive Directors	
Zhang Yu Li	3/4
Luo Wei Kun	4/4
Chan Shun Kuen	4/4
Average attendance rate	92%

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

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

Directors' Duties

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

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

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

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

Conduct on Share Dealings

The Company has adopted a code of conduct regarding securities transactions by Directors and supervisors ("Supervisors") of the Company on terms no less exacting than the required standard of dealings as referred to in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company, having made specific enquiries to its directors and supervisors, confirms that, throughout the financial year ended 31 December 2009, 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.

Corporate Governance Report

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 2009	Attendance in 2009
Audit Committee	• To serve as a focal point for communication between Directors, the external auditors and internal auditors	Luo Wei Kun	100%
		Chan Shun Kuen, Eric	100%
		Zhang Yu Li *(Chairman)*	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 2009: 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 Director and members of the Senior Management		
Total number of meetings held in 2009: 4			

Remuneration of Directors and Senior Management

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

The Remuneration Committee has held one meeting during 2009 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 30 of the annual report.

Accountability and Audit

Financial Reporting

The Directors are responsible for overseeing the preparation of the annual accounts which give a true and fair view of the Group's state of affairs of the results and cash flow for the year. In preparing the accounts for the year ended 31 December 2009, the Directors have:

- selected suitable accounting policies and applied them consistently; and
- made judgements and estimates that are prudent and reasonable; and ensured the accounts are prepared on the going concern basis.

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

A statement by the auditors about their reporting responsibilities is included in the Independent Auditor's Report on page 33 to page 34.

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 2009. 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 2009, fully complied with the code provisions on internal controls as set forth in the Code.

Corporate Governance Report

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 2009, the fees paid to the Company's external auditors for audit services amounted to approximately RMB630,000 and for non-audit related activities (which are account review fees and ad hoc projects fees) amounted to approximately RMB602,000.

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

Audit Committee

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

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

During 2009, the Audit Committee met four times to discuss the annual results of 2008 and the first quarterly, interim and third quarterly results of 2009. The adequacy and effectiveness of the Group's internal control are also discussed in these meetings. The committee has complete and unrestricted access to the external auditors and all staff of the Group.

Corporate Communication

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

The Board of Directors is pleased to present the audited consolidated financial statements of the Group for the year ended 31 December 2009.

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 2009 are set out in the consolidated income statement on page 35 of the annual report.

No dividend was proposed during 2009, nor has any divided been proposed since the end of the reporting period (2008: RMB1.5 cents).

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 28 to the consolidated financial statements.

Reserves

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

Directors' Report

The Company's reserves available for distribution to shareholders as at 31 December 2009, comprised the retained profits determined under PRC accounting standards of approximately RMB222 million (2008: RMB183 million).

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.

Directors and Supervisors

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

Executive Directors:

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

Non-executive Directors:

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

Independent Non-executive Directors:

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

Supervisors:

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

Independent Supervisors:

Professor Qi Yin Feng
Mr. Sha Jin Cheng

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

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

Directors' and Supervisors' Service Contracts

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

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

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

Term of Appointment of Non-executive Directors

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

Policy for Directors' Remuneration

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

Directors', Chief Executive'S and Supervisors' Interests in Securities

As at 31 December 2009, the interests and short positions of the Directors, Chief Executive and Supervisors in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO") which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the required standard of dealings by Directors and Supervisors of the Company as referred to in Rule 5.46 of the GEM Listing Rules to be notified to the Company and the Stock Exchange were as follows:

Long Position

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

Name of Director/Supervisor	Capacity	Number of Domestic Shares held	Approximate percentage of interests in the Company/ Domestic Shares of the Company
Ms. Tang Jie	Beneficial owner	41,700,000	3.63%/6.41%
Mr. Bai Shao Liang (please see Note 3 under the section "Substantial Shareholders")	Held by controlled corporation	235,925,000	20.52%/36.32%

Save as disclosed in this paragraph, as at 31 December 2009, 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 2009, the following, not being a Director or Supervisor, have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and required to be entered in the register maintained by the Company pursuant to section 336 of the SFO:

Substantial Shareholders

Long Position

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

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

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

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

Other Shareholders

Long Position

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

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

Notes:

1. 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 2009, 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 period 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 2009, 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 2009, 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 2009, the Company had complied with the Code on Corporate Governance Practice set out in Appendix 15 to the GEM Listing Rules.

Arrangements to Purchase Shares or Debentures

At no time during the period 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.

Directors' Report

Competing Interests

As at 31 December 2009, the Directors are not aware of any business or interest of the Directors, the management shareholders of the Company and their respective associates, that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

Code of Conduct Regarding Securities Transactions by Directors

During the year ended 31 December 2009, 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.

Continuing Connected Transactions

(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.

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 RMB2,479,000 (excluding tax), and which were within the relevant annual cap approved by the shareholders of the Company.

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

On 27 October 2009, Tianjin Gas and the Company entered into the 2010 Gas Supply Contract, 2011 Gas Supply Contract and 2012 Gas Supply 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.

As each of the percentage ratios (other than the profits ratio) for the aggregate caps of the transactions contemplated under the 2010 Gas Supply Contract, the 2011 Gas Supply Contract and the 2012 Gas Supply 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 Supply Contract, the 2011 Gas Supply Contract and the 2012 Gas Supply 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 Supply Contract, the 2011 Gas Supply Contract and the 2012 Gas Supply 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 RMB165,451,000 (excluding tax) from Tianjin Gas and paid a design fee of approximately RMB965,000 to the Design Institute which transaction amounts were within the relevant annual caps approved by the shareholders of the Company.

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

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

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

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

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

Acquisition of Assets

On 16 September 2009, the Company entered into as assets acquisition Agreement ("Assets Acquisition Agreement") with Tianjin Gas, pursuant to which the Company conditionally agreed to acquire from Tianjin Gas the Transferred Assets (as defined in the Company's announcement dated 5 October 2009) at the consideration of approximately RMB620,737,000. The Company will allot and issue the consideration shares to Tianjin Gas to satisfy the above consideration.

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

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

Tianjin Gas is one of the promoters of the Company and as at the date of 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. Pursuant to Rule 20.13(1) of the GEM Listing Rules, the proposed assets transfer constitutes a connected transaction of the Company and, pursuant to Rule 20.14, the gas supply transaction constitutes a continuing connected transaction of the Company. Pursuant to Rule 20.35 of the GEM Listing Rules, the proposed assets transfer and the gas supply transaction is subject to the reporting, announcement and independent shareholders' approval requirements as set out in Rules 20.45 to 20.48 of the GEM Listing Rules. Tianjin Gas and its associates shall abstain from voting on the resolution(s) in relation to the proposed assets transfer and the gas supply transaction at the extraordinary general meeting and the class meeting to be convened by the Company.

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

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

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

A circular containing, inter alia, details of (i) the Assets Acquisition Agreement; (ii) a letter from the independent board committee of the Company containing its advice and recommendation to the independent shareholders in respect of the proposed assets transfer and the Whitewash Waiver; (iii) a letter from an independent financial adviser to the independent board committee of the Company and the independent shareholders containing its advice to the independent board committee of the Company and the independent shareholders in respect of the proposed assets transfer and the Whitewash Waiver; (iv) valuation report of the Transferred Assets prepared in compliance with Rule 11 of the Takeovers Codes; (v) valuation report of the enlarged Group's interest in land and buildings; (vi) the letter from the independent financial adviser in relation to their view on the qualification and experience of the valuer and the valuation report; (vii) notices of the extraordinary general meeting and the class meeting; and (viii) other information as required by the GEM Listing Rules will be despatched by the Company to the shareholders as soon as practicable.

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

Staff and Emolument Policy

As at 31 December 2009, the Group had a workforce of 82 full-time employees, among which 98.78% 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 2009, nor has any divided been proposed since the end of the reporting period (2008: RMB1.5 cents).

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.

Directors' Report

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.

Sufficiency of Public Float

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

Pre-emptive Rights

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

Auditor

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

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

26 March 2010

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 2010, 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

26 March 2010

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 35 to 73, which comprise the consolidated statement of financial position as at 31 December 2009, 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 notes.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2009 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
26 March 2010

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	NOTES	2009 RMB'000	2008 RMB'000
Revenue	7	**317,992**	217,169
Cost of sales		**(222,326)**	(109,848)
Gross profit		**95,666**	107,321
Other income	9a	**6,816**	10,180
Other gains and losses	9b	**1,711**	284
Selling expenses		**(27)**	(57)
Administrative expenses		**(14,045)**	(33,715)
Finance costs	10	**(2,094)**	(2,260)
Share of results of associates		**877**	(28)
Profit before tax		**88,904**	81,725
Income tax expense	11	**(22,537)**	(21,385)
Profit for the year and total comprehensive income for the year	12	**66,367**	60,340
Profit for the year and total comprehensive income for the year attributable to:			
Owners of the company		**66,367**	60,475
Minority interests		**—**	(135)
		66,367	60,340
Earnings per share			
— basic (RMB cents)	14	**5.8**	5.4

Consolidated Statement of Financial Position

At 31 December 2009

	NOTES	2009 RMB'000	2008 RMB'000
Non-current assets			
Property, plant and equipment	16	**234,025**	64,985
Prepaid lease payments	17	**5,021**	5,168
Intangible assets	18	**207,540**	201,574
Contract work in progress	19	**3,824**	13,596
Interests in associates	20	**17,332**	7,677
Prepayment		**162**	108
Deferred tax assets	29	**2,889**	2,889
		470,793	295,997
Current assets			
Inventories	21	**417**	706
Trade receivables	22	**69,673**	116,750
Deposits, prepayment and other receivables	22	**3,526**	4,485
Amount due from a shareholder	23	**830**	9,281
Held for trading investments	24	**1,613**	1,422
Short-term bank deposits with original maturity more than three months	25	**2,000**	—
Bank balances and cash	25	**187,081**	244,856
		265,140	377,500
Current liabilities			
Trade and other payables	26	**33,114**	37,274
Dividend payable		**9,743**	—
Income tax payable		**12,876**	15,992
Bank loan	27	**40,000**	30,000
Amount due to a related party	23	**825**	75
		96,558	83,341
Net current assets		**168,582**	294,159
Total assets less current liabilities		**639,375**	590,156
Capital and reserves			
Share capital	28	**114,960**	114,960
Share premium and reserves		**523,602**	474,479
Equity attributable to owners of the Company		**638,562**	589,439
Non-current liability			
Deferred tax liabilities	29	**813**	717
		639,375	590,156

The consolidated financial statements on pages 35 to 73 were approved and authorised for issue by the Board of Directors on 26 March 2010 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 2009

	Attributable to owners of the Company							
	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000 (note i)	Enterprise expansion fund RMB'000 (note i)	Accumulated profits RMB'000	Total RMB'000	Minority interests RMB'000	Total RMB'000
At 1 January 2008	99,500	31,667	10,837	–	135,495	277,499	–	277,499
Profit for the year and total comprehensive income for the year	–	–	–	–	60,475	60,475	(135)	60,340
Capital contributed from minority shareholders of a subsidiary	–	–	–	–	–	–	7,840	7,840
Released on disposal of a subsidiary	–	–	–	–	–	–	(7,705)	(7,705)
Issue of H Shares (note ii)	15,460	249,464	–	–	–	264,924	–	264,924
Shares issue expenses	–	(13,459)	–	–	–	(13,459)	–	(13,459)
Appropriation	–	–	6,143	3,071	(9,214)	–	–	–
At 31 December 2008	114,960	267,672	16,980	3,071	186,756	589,439	–	589,439
Profit for the year and total comprehensive income for the year	–	–	–	–	66,367	66,367	–	66,367
Dividend recognised as distribution (note 13)	–	–	–	–	(17,244)	(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	–	638,562

Notes:

(i) Basis of appropriation of 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 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.

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

	NOTE	2009 RMB'000	2008 RMB'000
Operating activities			
Profit before tax		**88,904**	81,725
Adjustments for:			
Amortisation of intangible assets		**9,645**	5,911
Amortisation of prepaid lease payments		**147**	147
Depreciation of property, plant and equipment		**4,226**	2,455
Finance costs		**2,094**	2,260
Interest income		**(492)**	(2,704)
Share of results of associates		**(877)**	28
Allowances for bad and doubtful debts		**—**	11,557
Gain on disposal of a subsidiary		**—**	(6)
Gain on disposal of property, plant and equipment		**—**	(278)
Operating cash flows before movements in working capital		**103,647**	101,095
Increase in contract work in progress		**(1,968)**	(4,998)
Decrease in inventories		**289**	272
Decrease (increase) in trade receivables		**47,077**	(36,032)
Decrease (increase) in deposits, prepayments and other receivables		**905**	(12,579)
Decrease in amount due from a shareholder		**8,451**	1,949
Increase in held for trading investments		**(191)**	(1,422)
Decrease (increase) in trade and other payables		**(4,160)**	2,125
Decrease (increase) in amount due to a related party		**750**	(421)
Net cash generated from operations		**154,800**	49,989
Interest paid		**(2,094)**	(2,260)
Tax paid		**(25,557)**	(34,769)
Net cash from operating activities		**127,149**	12,960
Investing activities			
Purchase of intangible assets		**(3,871)**	(83,609)
Purchase of property, plant and equipment		**(173,266)**	(15,175)
Acquisition of investment in an associate		**(8,778)**	—
Increase in short-term bank deposits with original maturity more than three months		**(2,000)**	—
Interest received		**492**	2,704
Net cash outflow arising on disposal of a subsidiary	33	**—**	(1,762)
Proceeds on disposal of property, plant and equipment		**—**	481
Net cash used in investing activities		**(187,423)**	(97,361)
Financing activities			
Dividend paid		**(7,501)**	—
Repayment of bank loan		**(30,000)**	(30,000)
New bank loan raised		**40,000**	30,000
Capital contributed from minority shareholders		**—**	7,840
Proceeds from issue of H shares		**—**	264,924
Share issue expenses		**—**	(13,459)
Net cash from financing activities		**2,499**	259,305
Net (decrease) increase in cash and cash equivalents		**(57,775)**	174,904
Cash and cash equivalents at beginning of the year		**244,856**	69,952
Cash and cash equivalents at end of the year, represented by bank balances and cash		**187,081**	244,856

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 connection and the sale and distribution of piped gas. The principal activity of its subsidiaries is disclosed in note 35.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current year, the Group has applied the following new and revised Hong Kong Accounting Standards ("HKAS"s), HKFRS, amendments and interpretations ("INT"s) (hereinafter collectively referred to as "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKAS 1 (Revised 2007)	Presentation of financial statements
HKAS 23 (Revised 2007)	Borrowing costs
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate
HKFRS 2 (Amendment)	Vesting conditions and cancellations
HKFRS 7 (Amendment)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
HK(IFRIC*) — INT 9 & HKAS 39 (Amendments)	Embedded derivatives
HK(IFRIC) — INT 13	Customer loyalty programmes
HK(IFRIC) — INT 15	Agreements for the construction of real estate
HK(IFRIC) — INT 16	Hedges of a net investment in a foreign operation
HK(IFRIC) — INT 18	Transfers of assets from customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39 and amendment to HKFRS 8

* IFRIC represents the International Financial Reporting Interpretations Committee.

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

HKAS 1 (Revised 2007) "Presentation of Financial Statements"

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the consolidated financial statements) and changes in the format and content of the consolidated financial statements.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") *(continued)*

HKFRS 8 "Operating Segments"

HKFRS 8 is a disclosure standard that has not changed the basis of measurement of the Group's segment profit or loss (see note 8). The adoption of HKFRS 8 has resulted in a redesignation of the Group's reportable segments.

The Group has early adopted Amendment to HKFRS 8 as part of Improvements to HKFRSs issued in 2009. The amendment clarifies that an entity shall report a measure of total assets for each reportable segment if such amounts are regularly provided to the chief operating decision maker.

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009 except for the amendment HKFRSs 2008[2]
HKAS 24 (Revised)	Related party disclosures[3]
HKAS 27 (Revised)	Consolidated and separate financial statements[1]
HKAS 32 (Amendment)	Classification of rights issues[4]
HKAS 39 (Amendment)	Eligible hedged items[1]
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters[5]
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters[7]
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions[5]
HKFRS 3 (Revised)	Business combinations[1]
HKFRS 9	Financial instruments[6]
HK(IFRIC) — INT 14 (Amendment)	Prepayments to a minimum funding requirement[3]
HK(IFRIC) — INT 17	Distributions of non-cash assets to owners[1]
HK(IFRIC) — INT 19	Extinguishing financial liabilities with equity instruments[7]

1 Effective for annual periods beginning on or after 1 July 2009.
2 Amendment that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.
3 Effective for annual periods beginning on or after 1 January 2011.
4 Effective for annual periods beginning on or after 1 February 2010.
5 Effective for annual periods beginning on or after 1 January 2010.
6 Effective for annual periods beginning on or after 1 January 2013.
7 Effective for annual periods beginning on or after 1 July 2010.

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

3. Significant Accounting Policies

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

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

Basis of Consolidation

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated 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 on consolidation.

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

Investments in Associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. 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 carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

3. Significant Accounting Policies *(continued)*

Investments in Associates *(continued)*

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. The goodwill is included within the carrying amount of the investment and is not tested for impairment separately. Instead, the entire carrying amount of the investment is tested for impairment as a single asset. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment in the associate. Any reversal of impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases. 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. Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

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.

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 period 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 contract 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 transportation income are recognised when gas is supplied to customers while sales of gas applicances are recognised when goods are delivered and title has passed.

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

3. Significant Accounting Policies *(continued)*

Property, Plant and Equipment

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

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

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

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

Prepaid Lease Payments

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

Operating Leases

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

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

Foreign Currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency (i.e. RMB) of that entity (foreign currency) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At 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 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 retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

3. Significant Accounting Policies *(continued)*

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, 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 as an expense in the period in which they are incurred.

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, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary difference. 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.

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 is calculated at the tax rates that are expected to apply in the period when 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.

3. Significant Accounting Policies *(continued)*

Intangible Assets

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

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

Impairment

At the end of the 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. In addition, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as revaluation decrease under that standard.

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

Inventories

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

Financial Instruments

Financial assets and financial liabilities are recognised on the consolidated statement 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 and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. Significant Accounting Policies *(continued)*

Financial Instruments *(continued)*

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.

Effective Interest Method

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

At the end of the reporting period, subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement 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) 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.

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

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

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

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

Financial Liabilities and Equity

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

Effective Interest Method

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

Interest expense is recognised on an effective interest basis.

3. Significant Accounting Policies *(continued)*

Financial Instruments *(continued)*

Financial Liabilities

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

Equity Instruments

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

Derecognition

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

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

4. Key Sources of Estimation Uncertainty

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

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

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

Recognition of Sale of Gas

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

5. Capital Risk Management

The Group manages its capital to ensure that the group entities will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of bank loan (note 27), net of cash and cash equivalents, and equity attributable to equity holders of the Company, comprising share capital, reserves and accumulated profits.

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

6. Financial Instruments

6a. Categories of Financial Instruments

	2009 **RMB'000**	2008 RMB'000
Financial assets		
Loans and receivables		
(including cash and cash equivalents)	**261,821**	371,611
Held for trading investments	**1,613**	1,422
Financial liabilities		
Amortised cost	**82,655**	65,832

6b. Financial Risk Management Objectives and Policies

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

Credit Risk

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

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

6. Financial Instruments *(continued)*

6b. Financial Risk Management Objectives and Policies *(continued)*

Credit Risk *(continued)*

The Group is exposed to some concentration of credit risk on trade receivables. At 31 December 2009, the five largest debtors accounted for approximately RMB53,204,000 (76%) (2008: RMB68,841,000 (59%)), of the Group's total trade receivables. The Group delegate a team for determining the credit limits, credit approval and other monitoring procedures on customers, the Group had also explored new markets and new customers in order to minimise the concentration of credit risk.

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

Counterparty	**Location**	**31.12.2009 Carrying amount RMB'000**	31.12.2008 carrying amount RMB'000
Company A	The PRC	**32,852**	44,852
Company B	The PRC	**6,714**	6,965
Company C	The PRC	**6,634**	7,371
Company D	The PRC	**3,881**	—
Company E	The PRC	**3,123**	—
Company F	The PRC	**—**	4,854
Company G	The PRC	**—**	4,799

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 debtors received good internal credit rating assessed by the Group.

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

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

The Group's geographical concentration of credit risk is totally in the PRC as at 31 December 2009 and 2008.

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 Group's exposure to market risks or the manner in which it manages and measures the risk.

6. Financial Instruments *(continued)*

6b. Financial Risk Management Objectives and Policies *(continued)*

Market Risk *(continued)*

(i) *Interest Rate Risk*

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

Sensitivity Analysis

The sensitivity analysis below has been determined based on the exposure to interest rates risks for variable-rate bank loan at the 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 loan had been 50 basis points higher and all other variables were held constant, the Group's post-tax profit for the year would:

	2009	2008
	RMB'000	RMB'000
Decrease in post-tax profit for the year	**(150)**	(113)

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

(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 reporting date.

If the prices of the respective equity instruments had been 10% (2008: 10%) higher/lower, post-tax profit for the year ended 31 December 2009 would increase/decrease by RMB121,000 (2008: RMB107,000) as a result of the changes in fair value of the investments held-for-trading.

6. Financial Instruments *(continued)*

6b. Financial Risk Management Objectives and Policies *(continued)*

Liquidity Risk Management

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

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

The following tables details the remaining contractual maturity for the financial liabilities of the Group as at 31 December 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.

	Weighted average effective interest rate	**Less than 3 months**	**Total undiscounted cash flows**	**Carrying amount**
	%	RMB'000	RMB'000	RMB'000
Non-derivative financial liabilities				
As at 31 December 2009				
Trade and other payables	—	32,087	32,087	32,087
Dividend payable	—	9,743	9,743	9,743
Bank loan	5.31	40,256	40,256	40,000
Amount due to a related party	—	825	825	825
		82,911	82,911	82,655
As at 31 December 2008				
Trade and other payables	—	35,757	35,757	35,757
Bank loan	7.47	30,075	30,075	30,000
Amount due to a related party	—	75	75	75
		65,907	65,907	65,832

6. Financial Instruments *(continued)*

6c. Fair Value of Financial Instruments

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

- the fair value of financial assets with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices; and
- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

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

7. 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.

8. Segment Information

The Group has adopted HKFRS 8 "Operating segments" with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be indentified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard (HKAS 14 "Segment Reporting") required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. However, the adoption of HKFRS 8 does not change the basis of measurement of segment profit or loss.

In prior years, segment information reported externally was analysed on the basis of the types of goods supplied and services provided by the Group's operating divisions, with four divisions, namely gas connection, sales of piped gas, construction of gas pipeline infrastructure and sales of gas appliances. For management purposes, the Group has been divided into four divisions, namely gas connection, gas transportation, sales of piped gas and sales of gas appliances, of which gas transportation is a new segment in 2009 while division of construction of gas pipeline infrastructure is not reported to 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 under HKFRS 8 are as follows:

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. Amounts reported for the prior year have been restated to conform to the requirement of HKFRS 8.

8. Segment Information *(continued)*

Segment Revenues and Results

The following is an analysis of the Group's revenue and results by reportable segment reported to the chief operating decision maker.

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 before tax	73,349	1,048	22,575	240	97,212

Reconciliation of Revenue

	RMB'000
Total revenue for reporting segments	312,168
Construction of gas pipeline infrastructure	5,824
Revenue	317,992

Reconciliation of Reporting Segment Profit before Tax

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

8. Segment Information *(continued)*

Reconciliation of Reporting Segment Profit before Tax *(continued)*

Year ended 31 December 2008

	Gas connection RMB'000	Sales of piped gas RMB'000	Sales of gas appliances RMB'000	Consolidated RMB'000
Segment revenue from external customers	135,059	74,381	1,279	210,719
Segment profit (loss) before tax	91,983	4,422	(20)	96,385

Reconciliation of Revenue

	RMB'000
Total revenue for reporting segments	210,719
Construction of gas pipeline infrastructure	6,450
Revenue	217,169

Reconciliation of Reporting Segment Profit before Tax

	RMB'000
Total profit for reporting segments	96,385
Gross profit from construction of gas pipeline infrastructure	586
Other income	10,180
Other gains and losses	284
Share of result of an associate	(28)
Corporate expense	(23,422)
Finance costs	(2,260)
Profit before tax	81,725

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of other income, other gains and losses, share of results of associates, corporate expenses and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

8. Segment Information *(continued)*

Other Segment Information

	Gas connection		Gas transportation		Sales of piped gas		Adjustments (Note 1)		Total	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Amounts included in the measure of segment profit:										
Depreciation of property, plant and equipment	**–**	–	**1,358**	–	**1,296**	857	**1,572**	1,598	**4,226**	2,455
Amortisation of intangible assets	**–**	–	**–**	–	**9,645**	5,911	**–**	–	**9,645**	5,911

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 RMB23,609,000 (2008: RMB38,686,000) 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 segments is disclosed as they are not regularly provided to the chief operating decision maker 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 is as follows:

	2009	2008
	RMB'000	RMB'000
Customer A[1]	**71,450**	—[3]
Customer B[1]	**35,836**	—[3]
Customer C[2]	**—[4]**	28,852

[1] Revenue from sales of piped gas.
[2] Revenue from gas connection.
[3] Revenue from customers A and B in 2008 does not contribute over 10% of the Group's total sales in 2008.
[4] No revenue contributed by customer C to the Group's total sales in 2009.

9a. Other Income

	2009 RMB'000	2008 RMB'000
Value added tax refund	**6,324**	7,476
Bank interest income	**492**	2,704
	6,816	10,180

9b. Other Gains and Losses

	2009 RMB'000	2008 RMB'000
Net gain on disposal of property, plant and equipment	**–**	278
Gain on disposal of a subsidiary	**–**	6
Net gain on fair value change of held for trading investments	**1,711**	–
	1,711	284

10. Finance Costs

	2009 RMB'000	2008 RMB'000
Interest on bank borrowing wholly repayable within five years	**2,094**	2,260

11. Income Tax Expense

	2009 RMB'000	2008 RMB'000
The charge comprises:		
PRC Enterprise Income Tax	**22,441**	24,153
Deferred tax (note 29)	**96**	(2,768)
	22,537	21,385

The Company and its subsidiaries are subject to PRC Enterprise Income Tax rate of 25% for the year (2008: 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.

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

	2009 RMB'000	2008 RMB'000
Profit before tax	**88,904**	81,725
Tax at the domestic income tax rate of 25%	**22,226**	20,431
Tax effect of share of results of associates	**(219)**	—
Tax effect of expenses that are not deductible in determining taxable profit	**530**	954
Tax expense for the year	**22,537**	21,385

12. Profit for the Year

	2009 RMB'000	2008 RMB'000
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**630**	629
Staff costs including directors' and supervisors' remuneration	**3,756**	3,172
Depreciation of property, plant and equipment	**4,226**	2,455
Amortisation of intangible assets (included in cost of sales)	**9,645**	5,911
Amortisation of prepaid lease payments (included in administrative expense)	**147**	147
Operating lease rentals in respect of rented premises	**519**	529
Allowances for bad and doubtful debts	**—**	11,557
Cost of gas purchased	**169,985**	62,258
Net (gain) loss on fair value change of held for trading investments	**(1,711)**	207
Net foreign exchange loss	**268**	6,281

13. Dividend

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

No dividend was proposed during 2009, nor has any divided been proposed since the end of the reporting period (2008: RMB1.5 cents).

14. 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 RMB66,367,000 (2008: RMB60,475,000) and the weighted average number of shares of 1,149,600,000 (2008: 1,119,186,885 shares) in issue during the year.

No diluted earnings per share has been presented as the Company had no outstanding potential shares during both years or at the end of the reporting period.

15. 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:

	2009 **RMB'000**	2008 RMB'000
Fees	**750**	750
Salaries and other benefits	**122**	92
Retirement benefit scheme contributions	**11**	14
	883	856
Fees analysed into:		
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**	50
Jin Jianping	**50**	50
Luo Weikun	**50**	50
Qi Yinfeng	**50**	50
Sha Jincheng	**50**	50
Sun Boquan	**50**	50
Sun Xuegang	**50**	50
Tang Jie	**50**	50
Zhang Yuli	**50**	50
	750	750
Salaries and other benefits analysed into:		
Sun Xuegang	**88**	68
Hao li	**34**	24
	122	92
Retirement benefit scheme contributions analysed into:		
Sun Xuegang	**11**	14

15. 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 2009 included one supervisor (2008: one supervisor). The details of the remuneration of the remaining highest paid employees for 2009 (2008: four) are as follows:

	2009 **RMB'000**	2008 RMB'000
Salaries and other benefits	**522**	659
Retirement benefit scheme contributions	**—**	—
	522	659

Their emoluments are within the following band:

	2009 **RMB'000**	2008 RMB'000
Nil-RMB880,500 (2008: Nil to RMB881,900) (equivalent to HK$1,000,000)	**4**	4

No directors waived any emoluments in both years.

16. Property, Plant and Equipment

	Buildings RMB'000	Pipelines RMB'000	Machinery RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2008	32,807	–	21,061	2,440	4,619	1,556	62,483
Additions	832	–	8,006	242	1,845	4,250	15,175
Reclassification	–	–	3,530	–	–	(3,530)	–
Disposal of a subsidiary	–	–	–	(10)	–	(363)	(373)
Disposal	–	–	–	(371)	(1,750)	–	(2,121)
At 31 December 2008	33,639	–	32,597	2,301	4,714	1,913	75,164
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**
DEPRECIATION							
At 1 January 2008	2,966	–	2,046	1,034	3,596	–	9,642
Provided for the year	763	–	857	313	522	–	2,455
Disposal	–	–	–	(350)	(1,568)	–	(1,918)
At 31 December 2008	3,729	–	2,903	997	2,550	–	10,179
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**
CARRYING VALUES							
At 31 December 2009	**31,593**	**65,248**	**30,486**	**1,361**	**1,884**	**103,453**	**234,025**
At 31 December 2008	29,910	–	29,694	1,304	2,164	1,913	64,985

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 2009, the Group is in the process of applying title certificates for certain buildings with a carrying value of approximately RMB4,176,000 (2008: RMB4,179,000).

17. Prepaid Lease Payments

The Group's prepaid lease payments comprise:

	2009 RMB'000	2008 RMB'000
Leasehold land outside Hong Kong:		
Medium-term lease	**5,168**	5,315
Analysed for reporting purpose as:		
Current portion (included in deposits, prepayment and other receivables)	**147**	147
Non-current portion	**5,021**	5,168
	5,168	5,315

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

At 31 December 2008, the Group was still in the process of applying title certificates for certain land with a carrying value of approximately RMB4,602,000. During the year, the Group has obtained all the land title certificates.

18. Intangible Assets

	Right for distribution of gas RMB'000
COST	
At 1 January 2008	143,119
Additions	87,252
At 31 December 2008	230,371
Additions	15,611
At 31 December 2009	**245,982**
AMORTISATION	
At 1 January 2008	22,886
Provided for the year	5,911
At 31 December 2008	28,797
Provided for the year	9,645
At 31 December 2009	**38,442**
CARRYING VALUES	
At 31 December 2009	**207,540**
At 31 December 2008	201,574

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.

19. Contract Work in Progress

Contract work in progress included contract costs incurred plus recognised profits of RMB3,824,000 (2008: RMB13,596,000), the amount will be transferred to intangible assets upon completion.

20. Interests in Associates

	2009 **RMB'000**	2008 RMB'000
Cost of investment in associates — unlisted	**16,483**	7,705
Share of post-acquisition profits (loss)	**849**	(28)
	17,332	7,677

During the year, the Group acquired 30.55% interest in 天津市濱海燃氣有限公司 ("天津濱海燃氣"), a company established in the PRC and engaged in operation and management of gas pipeline infrastructure. The consideration for the acquisition was RMB8,778,000.

As at 31 December 2009 and 2008, the Group had interests in the following associates:

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
			2009	2008	**2009**	2008	
貴州津維礦業投資有限公司	Incorporated	PRC	**49%**	49%	**49%**	49%	Mining business
天津濱海燃氣	Incorporated	PRC	**30.55%**	–	**30.55%**	–	Gas supply

Included in the cost of investment in associates is goodwill of RMB3,597,000 (31 December 2008: Nil) arising on acquisitions of associates during the year.

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

	2009 **RMB'000**	2008 RMB'000
Total assets	**192,588**	15,704
Total liabilities	**(157,091)**	(35)
Net assets	**35,497**	15,669
Group's share of net assets of associates	**13,735**	7,677
Revenue	**88,935**	—
Profit (loss) for the year	**2,870**	(56)
Group's share of result of associates for the year	**877**	(28)

21. Inventories

	2009 RMB'000	2008 RMB'000
Gas appliances	**171**	256
Gas	**66**	81
Spare parts and consumables	**180**	369
	417	706

22. Trade Receivables/Deposits, Prepayment and Other Receivables

	2009 RMB'000	2008 RMB'000
Trade receivables	**82,575**	129,652
Less: impairment loss recognised	**(12,902)**	(12,902)
Net trade receivables	**69,673**	116,750
Other receivables	**4,980**	3,467
Less: impairment loss recognised	**(2,743)**	(2,743)
Total other receivables	**2,237**	724
Deposits and prepayment	**1,289**	3,761
	3,526	4,485

Movement in impairment loss recognised:

	2009 RMB'000	2008 RMB'000
Trade receivables:		
Balance at beginning of the year	**12,902**	2,115
Amounts provided during the year	**–**	10,787
Balance at end of the year	**12,902**	12,902
Other receivables:		
Balance at beginning of the year	**2,743**	1,973
Amounts provided during the year	**–**	770
Balance at end of the year	**2,743**	2,743

22. Trade Receivables/Deposits, Prepayment and Other Receivables *(continued)*

Included in the carrying amount of trade and other receivables as at 31 December 2009 was accumulated impairment loss of RMB12,902,000 (2008: RMB12,902,000) and RMB2,743,000 (2008: RMB2,743,000), respectively, most of which are past due for over one year 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.

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

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB48 million (2008: RMB33 million) which are past due at the reporting date for which the Group has not provided for impairment loss as the debtors received high internal credit rating. The credit risk on accounts receivable neither past due nor impaired arising from the ordinary course of business is limited because the counterparties have no default payment history. The Group does not hold any collateral over these balances.

At 31 December 2009, retentions held by customers for completed contract works included in trade receivables amounted to RMB24,489,000 (2008: RMB19,706,000).

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

	2009 **RMB'000**	2008 RMB'000
91-180 days	**—**	6,424
181-270 days	**1,959**	5,857
271-365 days	**3,006**	300
Over 365 days	**43,010**	20,218
	47,975	32,799

The aged analysis of trade debtors net of allowance presented at the end of the reporting period is as follows:

	2009 **RMB'000**	2008 RMB'000
0 — 90 days	**21,698**	66,097
91 — 180 days	**—**	16,619
181 — 270 days	**1,959**	7,626
271 — 365 days	**3,006**	490
Over 365 days	**43,010**	25,918
	69,673	116,750

23. Amounts due from (to) a Shareholder/a Related Party

The amounts were incurred through operating activities and were unsecured, interest-free and repayable on demand. Details of the balances are set out in note 34 (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 period. The balances have been fully settled subsequently to the end of the reporting period.

24. Held for Trading Investments

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

25. Short-term Bank Deposits/Bank Balances and Cash

Short-term bank deposits and bank balances carry interest at market rate ranged from 0.36% to 1.8% (2008: 0.36%) per annum.

26. Trade and Other Payables

Included in trade and other payables are trade payables with an aged analysis presented based on invoice date at the end of the reporting period as follows:

	2009 **RMB'000**	2008 RMB'000
0 — 90 days	**16,976**	22,929
91 — 180 days	**301**	3,130
181 — 270 days	**90**	1,586
271 — 365 days	**—**	610
Over 365 days	**759**	759
	18,126	29,014

27. Bank Loan

	2009 **RMB'000**	2008 RMB'000
Unsecured bank loan	**40,000**	30,000

The above loan was unsecured, carried interest at floating rate of 5.31% (2008: 7.47%) per annum. The loan as at 31 December 2008 was guaranteed by Tianjin Gas, a shareholder of the Company. The guarantee has been released during the year ended 31 December 2009.

28. Share Capital

	Number of shares		Registered, issued and fully paid
	Domestic Shares	**H Shares**	RMB'000
Shares of RMB0.1 each			
At 1 January 2008	665,000,000	330,000,000	99,500
Issue of H shares	—	154,600,000	15,460
Conversion of domestic shares to H shares	(15,460,000)	15,460,000	—
At 31 December 2008 and 31 December 2009	**649,540,000**	**500,060,000**	**114,960**

The Company issued 154,600,000 H shares and converted 15,460,000 Domestic shares into H shares by way of placing for listing of H shares on the GEM Board of the Stock Exchange on 13 March 2008. The H Shares and Domestic shares rank pari passu in all respects.

29. Deferred Taxation

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

	Provision for bad and doubtful debts RMB'000	**Accelerated tax depreciation** RMB'000	**Service concession arrangement** RMB'000	**Total** RMB'000
At 1 January 2008	—	464	132	596
Charge (credit) for the year	(2,889)	(24)	145	(2,768)
At 31 December 2008	(2,889)	440	277	(2,172)
Charge (credit) for the year	—	(25)	121	96
At 31 December 2009	(2,889)	415	398	(2,076)

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

	2009 **RMB'000**	2008 RMB'000
Deferred tax assets	**2,889**	2,889
Deferred tax liabilities	**(813)**	(717)
	2,076	2,172

30. Operating Lease Commitments

As lessee

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

	2009	2008
	RMB'000	RMB'000
Within one year	**427**	464
In the second year	**–**	396
	427	860

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

31. Commitments

At the end of the reporting period, the Group has the following commitments:

	2009	2008
	RMB'000	RMB'000
Capital expenditure authorised but not contracted for in respect of acquisition of property, plant and equipment	**18,397**	23,379

(1) On 16 September 2009, the Company entered into the 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 branches of Tianjin Gas), including outdoor pipelines, at consideration of approximately RMB620,737,000. The Company will allot and issue new shares to Tianjin Gas to satisfy the above consideration. This transaction has not been completed up to the date these consolidated financial statements are authorised for issue.

(2) Pursuant to a conditional entrusted construction agreement dated 6 October 2008 entered between the Company and Tianjin Gas, in relation to the entrustment of Tianjin Gas for the construction of pipelines projects in Tianjin, with total consideration not exceeding RMB224,500,700 (include entrustment fee RMB6,538,700), the Group has paid construction fee amounting to RMB162,641,000 to Tianjin Gas during the year ended 31 December 2009.

32. 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 RMB329,000 (2008: RMB285,000).

33. Disposal of a Subsidiary

The Group established a 51% non wholly-owned subsidiary, 貴州津維礦業投資有限公司 ("貴州津維") in the PRC which is engaged in mining business during 2008. In December 2008, the Group disposed of 2% equity interest in 貴州津維 to a minority shareholder of 貴州津維 at a consideration of RMB320,000. Subsequent to this disposal, the Group's interest in 貴州津維 was reduced from 51% to 49% and 貴州津維 then became an associate of the Group on 1 December 2008. The net assets of 貴州津維 at the date of disposal of that 2% equity interest was as follows:

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

34. Related Party Transactions/Balances

(a) During the Year, the Following Related Party Transactions/Balances Took Place:

Name of related party	Relationship	Nature of transactions	2009 RMB'000	2008 RMB'000
Tianjin Gas (Note i)	Shareholder	Purchase of gas	**165,451**	61,259
		Purchase of property, plant and equipment	**–**	7,360
		Purchase of the right for distribution of gas	**–**	82,156
		Construction fee paid	**160,701**	–
		Entrustment fee	**1,940**	–
		Gas transportation income	**2,479**	–
		Amount due from a shareholder	**830**	9,281
天津市煤氣工程設計院 (Note ii)	Related party	Construction design fee	**965**	172
		Amount due to a related party	**825**	75

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) Material Transactions and Balances with Other State-owned Enterprises in the PRC

The Group operates in an economic environment currently predominated by enterprises directly or indirectly owned or controlled by the PRC government. In addition, the Group itself is part of a larger group of companies under Tianjin Gas which is controlled by the PRC government (these enterprises other than Tianjin Gas are hereinafter collectively referred to as "State-Owned Enterprises"). During the year, the Group had material transactions with some of these State-Owned Enterprises in its ordinary and usual course of business.

The directors of the Company consider State-Owned Enterprises are independent third parties so far as the Group's business transactions with them are concerned, apart from the transactions referred in 34(a), the Group has identified the nature and quantified the amounts of its material transactions with State-Owned Enterprises during the year as follows:

34. Related Party Transactions/Balances *(continued)*

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

(i) Material transactions

	2009 RMB'000	2008 RMB'000
Gas connection income	**46,943**	45,380
Service fee paid for gas construction	**14,054**	23,796
Interest income	**492**	2,704
Interest expenses	**2,094**	2,260

(ii) Material balances

	2009 RMB'000	2008 RMB'000
Bank balances	**186,175**	244,586
Trade and other receivables	**44,280**	57,862
Trade and other payables	**12,684**	22,014
Bank loans	**40,000**	30,000

(c) Guarantee

At 31 December 2008, the bank loan of RMB30,000,000 was guaranteed by Tianjin Gas. This short term bank loan was repaid during the year ended 31 December 2009.

(d) Compensation of Key Management Personnel

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

	2009 RMB'000	2008 RMB'000
Short-term benefit	**1,394**	1,501
Post employment benefit	**11**	14
	1,405	1,515

35. Subsidiaries

Details of the Company's subsidiaries at 31 December 2009 and 2008 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

Notes:

(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 domestic limited liability companies established in the PRC.