



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

First Quarterly Report

2011



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

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

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*This report, for which the directors (the “Directors”) of Tianjin Tianlian Public Utilities Company Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

## HIGHLIGHTS

- Turnover of approximately RMB96,888,000 for the three months ended 31 March 2011.
- Gross profit of approximately RMB18,181,000 for the three months ended 31 March 2011.
- Net gain of approximately RMB12,999,000 for the three months ended 31 March 2011.

# REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

## TO THE BOARD OF DIRECTORS OF TIANJIN TIANLIAN PUBLIC UTILITIES COMPANY LIMITED

*(A joint stock company with limited liability established in the People's Republic of China)*

## INTRODUCTION

We have reviewed the interim financial information set out on pages 3 to 10, which comprises the condensed consolidated statement of comprehensive income of Tianjin Tianlian Public Utilities Company Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) for the three-month period ended 31 March 2011 and certain explanatory notes. The interim financial information has been prepared solely for the purpose and on the basis set out in note 2 to the interim financial information. The Growth Enterprise Market Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited requires the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with the basis as set out in note 2. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements (“HKSRE”) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with the basis of preparation as set out in note 2 to the interim financial information.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

12 May 2011

## RESULTS

The Board of Directors (the “Board”) of Tianjin Tianlian Public Utilities Company Limited (the “Company”) is pleased to present the unaudited results of the Company and its subsidiaries (the “Group”) for the three months ended 31 March 2011 together with the unaudited comparative figures for the three months ended 31 March 2010 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED 31 MARCH 2011

	NOTES	Three months ended	
		31 March 2011 RMB'000 (unaudited)	31 March 2010 RMB'000 (unaudited)
Revenue	4	96,888	80,847
Cost of sales		(78,707)	(64,149)
Gross profit		18,181	16,698
Other income	5	2,608	564
Other gains and losses		(2)	202
Selling expenses		(7)	(7)
Administrative expenses		(4,536)	(3,743)
Finance costs	6	(168)	(526)
Share of profit of associates		1,046	330
Profit before tax	7	17,122	13,518
Income tax expense	8	(4,123)	(3,831)
Profit and total comprehensive income for the period		12,999	9,687
Profit and total comprehensive income for the period attributable to owners of the Company		12,999	9,687
Earnings per share			
— basic (RMB cent)	10	1.13	0.84

# NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED 31 MARCH 2011

## 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 Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 9 January 2004. In June 2007, the Company transformed to a foreign invested joint stock limited Company.

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

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

## 2. BASIS OF PREPARATION

The condensed consolidated financial information has been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the GEM Rules).

The amounts included in this interim financial information have been computed in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") applicable to interim periods. However, it does not contain sufficient information to constitute an interim financial report as defined in Hong Kong Accounting Standard 34 "Interim Financial Reporting".

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies used in the preparation of the condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual financial information for the year ended 31 December 2010.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

In the current interim period, the Group has applied, for the first time, a number of new and revised Standards and Interpretations issued by the HKICPA.

The application of the new and revised Standards and Interpretations in current period has had no material effect on the amounts reported in this condensed consolidated financial information and disclosures of the Group set out in this condensed consolidated financial information for the current or prior accounting period.

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

HKFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets <sup>1</sup>
HKFRS 9	Financial Instruments <sup>2</sup>
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets <sup>3</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2013.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2012.

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

### 4. REVENUE

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

### 5. OTHER INCOME

Included in other income is value added tax refund of RMB2,410,000 (three months ended 31 March 2010: RMB396,000).

### 6. FINANCE COSTS

	Three months ended 31 March	
	2011 RMB'000	2010 RMB'000
Interest on bank borrowings wholly repayable within five years	168	526



## 7. PROFIT BEFORE TAX

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

	Three months ended 31 March	
	2011 RMB'000	2010 RMB'000
Depreciation of property, plant and equipment	1,407	1,344
Amortisation of intangible assets included in cost of sales	2,527	2,427
Amortisation of prepaid lease payments included in administrative expenses	51	33
Operating lease rentals in respect of rented premises	103	132
Bank interest income	(198)	(168)
Fair value changes of held for trading investment (included in other gains and losses)	(2)	202

## 8. INCOME TAX EXPENSE

	Three months ended 31 March	
	2011 RMB'000	2010 RMB'000
The charge comprises:		
Current PRC enterprise income tax	4,091	3,766
Deferred taxation	32	65
	4,123	3,831

The Company and a subsidiary are subject to the PRC Enterprise Income Tax rate of 25% for three months ended 31 March 2011 (three months ended 31 March 2010: 25%).

One of the subsidiaries did not have any taxable profit for either period in 2011 and 2010.

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

## 9. DIVIDEND

The directors do not recommend the payment of a dividend for the three months ended 31 March 2011 (three months ended 31 March 2010: Nil). No dividends were paid, declared or proposed during both periods.

## 10. EARNINGS PER SHARE

The calculation of the basic earnings per share for the three months ended 31 March 2011 is based on the profit attributable to owners of the Company for the three months ended 31 March 2011 of RMB12,999,000 (profit attributable to owners of the Company for the three months ended 31 March 2010: RMB9,687,000) and the number of 1,149,600,000 shares in issues during the three months ended 31 March 2011 and 2010.

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

## 11. SHARE CAPITAL, SHARE PREMIUM AND RESERVES

	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000 (note)	Enterprise expansion fund RMB'000 (note)	Accumulated profits RMB'000	Total equity RMB'000
At 1 January 2010 (audited)	114,960	267,672	23,012	6,087	226,831	638,562
Profit and total comprehensive income for the period	—	—	—	—	9,687	9,687
At 31 March 2010 (unaudited)	114,960	267,672	23,012	6,087	236,518	648,249
Profit and total comprehensive income for the period	—	—	—	—	67,020	67,020
Appropriation	—	—	6,628	3,315	(9,943)	—
At 31 December 2010 (audited)	114,960	267,672	29,640	9,402	293,595	715,269
Profit for the period and total comprehensive income for the period	—	—	—	—	12,999	12,999
Appropriation	—	—	7,693	3,847	(11,540)	—
At 31 March 2011 (unaudited)	114,960	267,672	37,333	13,249	295,054	728,268

Note: Basis of appropriations to 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.

## 12. RELATED PARTY TRANSACTIONS

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

Name of related party	Relationship	Nature of transactions	Three months ended 31 March	
			2011 RMB'000	2010 RMB'000
天津市燃氣集團有限公司 ("Tianjin Gas") (Note)	Shareholder	Purchase of gas	67,405	52,718
		Construction fee paid	—	12,000
		Gas distribution income	873	1,610

Notes: Tianjin Gas is the substantial shareholder of the Company.

- (b) Compensation of key management personnel

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

	Three months ended 31 March	
	2011 RMB'000	2010 RMB'000
Short-term benefit	395	413
Post employment benefit	3	3
	<b>398</b>	<b>416</b>

## 13. SUBSEQUENT EVENT

Pursuant to the circular dated 31 December 2010, the Company entered into an asset acquisition agreement with Tianjin Gas on 16 September 2009 to acquire from Tianjin Gas part of the tangible assets and gas ancillary facilities held by the Hedong District Sales Offices and the Heping District Sales Offices of both the Transmissions Branch and the First Sales Branch of Tianjin Gas (both branches of Tianjin Gas), including outdoor pipelines, in consideration for issuing 689,707,800 shares of the Company. The transaction was completed on 11 April 2011 and the Company is in the process of ascertaining the fair value of assets acquired. 689,707,800 new domestic shares were issued by the Company upon completion and Tianjin Gas became the ultimate holding company of the Company thereafter.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

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

### **BUSINESS REVIEW**

For the three months ended 31 March 2011, the Group reported a revenue of approximately RMB96,888,000, representing an increase of approximately 19.8% as compared with the corresponding period in the previous year. The Group’s net profit for the three months ended 31 March 2011 amounted to approximately RMB12,999,000 (three months ended 31 March 2010: approximately RMB9,687,000).

### **Segmental Information Analysis**

During the period, 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 piped gas is the major source of income for the Group, which is followed by gas connection, gas transportation and sales of gas appliances. The Group will further expand the operation in these areas, in order to attain its strategic objectives for this year.

### **Liquidity, Financial Resources and Capital Structure**

The Group is generally funded by equity financing and bank borrowings. As at 31 March 2011, the Group had no bank borrowings (three months ended 31 March 2010: RMB40,000,000).

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

### **Contingent Liabilities**

As at 31 March 2011, the Group had no material contingent liabilities or guarantees.

## PROSPECTS

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

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

The Shareholders at the extraordinary general meeting and separate class meetings held on 15 February 2011 approved, among other things, the Proposed Assets Transfer. The transaction was completed on 11 April 2011 and the Company is in the process of ascertaining the fair value of assets acquired as of the completion date. 689,707,800 new domestic shares were issued by the Company upon completion and Tianjin Gas became the ultimate holding company of the Company thereafter.

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

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

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

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

- The Group will continue to supply piped natural gas to its existing operational locations in Tianjin City and will aim at expansion by constructing new pipelines and connecting to more users in its existing operational locations.
- The Group will seek to expand its gas pipelines network by mergers and acquisitions, if suitable assets or suitable targets are identified.
- Apart from its natural gas operation in Tianjin City, the Group will also continue to explore and develop its natural gas operation in Jining City.
- The Company will continue its expansion in Binhai New District by capital injection in 天津市濱海燃氣有限公司 (Tianjin Binhai Gas Limited), a subsidiary of Tianjin Gas.
- The Shareholders at the extraordinary general meeting and separate class meetings held on 29 October 2008 approved the special resolutions, among other things, making of the relevant applications for the proposed transfer of listing of H Shares of the Company from GEM to the main board of the Stock Exchange (the “Main Board”). On 11 December 2009, the listing application for the transfer of listing of H Shares of the Company from GEM to the Main Board has been submitted to 中國證券監督管理委員會 (China Securities Regulatory Commission) (“CSRC”) and the said listing application has been approved by the CSRC on 10 November 2010. As at the date of this report, the Company has not yet filed the application to the Stock Exchange for the transfer of listing of its H Shares from GEM to the Main Board.

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

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

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

## DIRECTORS', CHIEF EXECUTIVES' AND SUPERVISORS' INTERESTS IN SECURITIES

As at 31 March 2011, the interests and short positions of the Directors, chief executives and supervisors of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the required standard of dealings by Directors and Supervisors 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 the above paragraph, as at 31 March 2011, none of the Directors, chief executives and supervisors of the Company had interest or short positions in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the required standard of dealings by Directors and supervisors 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.

## SUBSTANTIAL SHAREHOLDERS

So far as known to the Directors, as at 31 March 2011, the following, not being a Director, chief executive or supervisor of the Company, 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:

### Long position

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

Name of shareholder	Capacity	Number of Domestic Shares held	Approximate percentage of interests in the Company/ Domestic Shares of the Company
Tianjin Beacon Coatings Co., Ltd (Note 1) 天津燈塔塗料有限公司	Beneficial owner	118,105,313	10.27%/18.18%
Tianjin Gas Group Company Limited 天津市燃氣集團有限公司	Beneficial owner	253,809,687 (Note 2)	22.08%/39.08%
Tianjin Wanshun Real Estate Company Limited 天津市萬順置業有限公司	Beneficial owner	235,925,000	20.52%/36.32%
Ms. Li Sha	Interests of a spouse (Note 3)	235,925,000	20.52%/36.32%

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

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



Note 3: As at 31 March 2011, Mr. Bai Shao Liang held 76% interests in 天津市萬順置業有限公司 (Tianjin Wanshun Real Estate Company Limited) and is a director of such company. Ms. Li Sha is the wife of Mr. Bai Shao Liang. Under the SFO, Mr. Bai Shao Liang and Ms. Li Sha are taken to be interested in all the shares held by Tianjin Wanshun Real Estate Company Limited.

## Long position

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

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

Notes:

1. Mr. Liu Hei Wan and Ms. Law Suet Yi jointly hold the 14,500,000 H Shares.
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 March 2011, the Directors are not aware of any person, not being a Director, chief executive or supervisor of the Company, 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.

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

During the three months ended 31 March 2011, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **DIRECTORS' INTERESTS IN CONTRACTS**

No contract of significance to which the Company or its subsidiaries was a party and in which a Director or supervisor 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 period.

## **INTERESTS OF THE COMPLIANCE ADVISER**

Upon the completion of the Proposed Assets Transfer on 11 April 2011, Kingsway Capital Limited became the compliance adviser of the Company (the "Compliance Adviser"). As at 31 March 2011, save as the 1,480,000 H Shares held by Kingsway Lion Spur Technology Limited, a fellow subsidiary of the Compliance Adviser, neither the Compliance Adviser or its directors, employees or associates had any interest in relation to the Group.

## COMPETING INTERESTS

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

In the wholesale distribution of natural gas, no competition between Tianjin Gas and the Group exists given the fact that the Group only supplies natural gas to end users but is not engaged in wholesale distribution business. In the provision of piped natural gas to end users, Tianjin Gas and the Group are not competing with each other due to the nature of the piped gas supply business, which required fixed pipelines be installed and connected to the customers' pipelines, it is practically infeasible for more than one set of pipelines connecting to the same customer's pipeline.

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

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

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

Given the terms of the Non-Competition Agreement and the Supplemental Non-Competition Agreement given by Tianjin Gas and the inherent nature of pipe gas supply business, the Directors are of the view that Tianjin Gas does not compete with the Group's operations in the provision of piped natural gas.

Save as disclosed above, as at 31 March 2011, the Directors are not aware of any business or interest of the Directors, the controlling shareholders of the Company and their respective associates, that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

## **CORPORATE GOVERNANCE**

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 three months ended 31 March 2011, 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 subsidiaries a party to any arrangements to enable the Directors and supervisors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the three months ended 31 March 2011, the Company had adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry with all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors.

## AUDIT COMMITTEE

The Company established an audit committee on 3 December 2003 with written terms of reference in compliance with 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, Eric. The Audit Committee has reviewed the first quarterly results announcement and report for this period.

## SUBSEQUENT EVENTS

The Proposed Assets Transfer was completed on 11 April 2011. For details, please refer to the Company's announcement dated 11 April 2011.

By order of the board

**Tianjin Tianlian Public Utilities Company Limited**

**Sun Bo Quan**

*Chairman*

Tianjin, PRC, 12 May 2011