天津天聯公用事業股份有限公司

TIANJIN TIANLIAN PUBLIC UTILITIES COMPANY LIMITED

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

Stock Code: 8290

Interim Report 2011

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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

- Revenue of approximately RMB337.83 million for the six months ended 30 June 2011.
- Gross profit of approximately RMB48.48 million for the six months ended 30 June 2011.
- Net profit of approximately RMB33.11 million for the six months ended 30 June 2011.
- The Board does not recommend the payment of any dividend for the six months ended 30 June 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 six months ended 30 June 2011 together with the unaudited comparative figures for the six months ended 30 June 2010 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2011

		Three months ended		Six months ended	
	NOTES	**30 June 2011 RMB'000 (unaudited)**	30 June 2010 RMB'000 (unaudited)	**30 June 2011 RMB'000 (unaudited)**	30 June 2010 RMB'000 (unaudited)
Revenue	3 & 4	**240,937**	84,886	**337,825**	165,733
Cost of sales		**(210,639)**	(61,212)	**(289,346)**	(125,361)
Gross profit		**30,298**	23,674	**48,479**	40,372
Other income	5a	**1,261**	2,715	**3,869**	3,279
Other gains and losses	5b	**(395)**	(497)	**(397)**	(295)
Selling expenses		**(6)**	(6)	**(13)**	(13)
Administrative expenses		**(5,596)**	(3,537)	**(10,132)**	(7,280)
Share of profit of associates		**1,331**	504	**2,377**	834
Finance costs	6	**—**	(536)	**(168)**	(1,062)
Profit before tax	7	**26,893**	22,317	**44,015**	35,835
Income tax expense	8	**(6,778)**	(5,281)	**(10,901)**	(9,112)
Profit and total comprehensive income for the period		**20,115**	17,036	**33,114**	26,723
Profit and total comprehensive income for the period attributable to owners of the Company		**20,115**	17,036	**33,114**	26,723
Earnings per share — basic (RMB cents)	10	**1.13**	1.48	**2.25**	2.32

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2011

	NOTES	**30 June 2011 RMB'000 (unaudited)**	31 December 2010 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	11	**293,465**	259,007
Prepaid lease payments	12	**8,125**	8,226
Intangible assets	13	**758,053**	202,772
Contract work in progress		**4,286**	847
Interests in associates		**24,091**	21,714
Prepayment		**123**	136
Deferred tax assets		**3,000**	2,811
Deposit for acquisition of additional interest in an associate		**5,000**	—
		1,096,143	495,513
Current assets			
Inventories		**753**	823
Trade receivables	14	**89,929**	48,546
Prepayments and other receivables		**16,945**	11,636
Amount due from a shareholder	15	**66,136**	12,024
Amount due from an associate	20	**1,310**	—
Held for trading investments		**2,620**	2,460
Short-term bank deposits with original maturity more than three months		**—**	2,060
Bank balances and cash		**138,945**	228,924
		316,638	306,473

	NOTES	30 June 2011 RMB'000 (unaudited)	31 December 2010 RMB'000 (audited)
Current liabilities			
Trade and other payables	16	**57,882**	30,383
Dividend payable		**9,118**	9,743
Income tax payable		**6,361**	4,476
Borrowings	17	**—**	40,000
Amount due to a related party	20	**160**	1,298
		73,521	85,900
Net current assets		**243,117**	220,573
Total assets less current liabilities		**1,339,260**	716,086
Capital and reserves			
Share capital	18	**183,931**	114,960
Share premium and reserves		**1,154,454**	600,309
Equity attributable to owners of the Company		**1,338,385**	715,269
Non-current liabilities			
Deferred tax liabilities		**875**	817
		1,339,260	716,086

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2011

	Attributable to owners of the Company					
	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserves RMB'000 (note i)	Enterprise expansion fund RMB'000 (note i)	Accumulated profits RMB'000	Total RMB'000
At 1 January 2010 (audited)	114,960	267,672	23,012	6,087	226,831	638,562
Profit for the period and total comprehensive income for the period	—	—	—	—	26,723	26,723
Appropriation	—	—	6,628	3,315	(9,943)	—
At 30 June 2010 (unaudited)	114,960	267,672	29,640	9,402	243,611	665,285
Profit for the period and total comprehensive income for the period	—	—	—	—	49,984	49,984
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	—	—	—	—	33,114	33,114
Issue of Domestic Shares (note ii)	68,971	521,031	—	—	—	590,002
Appropriation	—	—	7,693	3,847	(11,540)	—
At 30 June 2011 (unaudited)	183,931	788,703	37,333	13,249	315,169	1,338,385

Notes:

(I) BASIS OF APPROPRIATION OF RESERVES

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

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

(II) Pursuant to the announcement of the Company dated 5 October 2009 and the circular of the Company dated 31 December 2010 in relation to the very substantial acquisition, the Company entered into the Assets Acquisition Agreement with 天津市燃氣集團有限公司 ("Tianjin Gas"), pursuant to which the Company conditionally agreed to acquire from Tianjin Gas part of the tangible assets and gas ancillary facilities held by the Hedong District Sales Offices and the Heping District Sales Offices of both the Transmissions Branch and the First Sales Branch of Tianjin Gas (both branches of Tianjin Gas), including outdoor pipelines (the "Transferred Assets"). To satisfy the consideration, the Company issued, in aggregate, 689,707,800 Domestic Shares to Tianjin Gas on 7 April 2011and the transaction was completed on 11 April 2011.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2011

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Operating activities		
Net cash (used in) from operating activities	**(43,956)**	10,251
Investing activities		
Purchase of intangible assets	**(108)**	(312)
Purchase of property, plant and equipment	**(1,441)**	(12,457)
Deposit for acquisition of additional interest in an associate	**(5,000)**	—
Decrease in short-term bank deposits with original maturity more than three months	**2,060**	—
Advance to an associate	**(1,310)**	—
Interest received	**401**	268
Net cash used in investing activities	**(5,398)**	(12,501)
Financing activities		
Dividend paid	**(625)**	—
Repayment of borrowings	**(40,000)**	(40,000)
New borrowings raised	**—**	40,000
Net cash used in financing activities	**(40,625)**	—
Net decrease in cash and cash equivalents	**(89,979)**	(2,250)
Cash and cash equivalents at 1 January	**228,924**	187,081
Cash and cash equivalents at 30 June, represented by		
Bank balances and cash	**138,945**	184,831

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2011

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements for the six months ended 30 June 2011 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010, except as described below.

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

The application of the new or revised HKFRSs in current period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The Group has not early applied new or revised standards and amendments that have been issued but are not yet effective. The following new or revised standards and amendments have been issued after the date the consolidated financial statements for the year ended 31 December 2010 were authorised for issuance and are not yet effective:

HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[2]
HKAS 19 (Revised 2011)	Employee Benefits[1]
HKAS 27 (Revised 2011)	Separate Financial Statements[1]
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[1]

[1] Effective for annual periods beginning on or after 1 January 2013
[2] Effective for annual periods beginning on or after 1 July 2012

The Company is currently evaluating the impact of the adoption of these new or revised standards on its financial statements.

3. REVENUE

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

4. SEGMENT INFORMATION

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

Three months ended 30 June 2011

	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	32,211	900	205,908	268	239,287
Segment profit	21,856	270	12,451	209	34,786

Reconciliation of revenue

	RMB'000
Total segments revenue	239,287
Revenue from construction of gas pipeline infrastructure	1,650
Revenue	240,937

Reconciliation of segment profit

	RMB'000
Total segment profit	34,786
Profit from construction of gas pipeline infrastructure	108
Share of profit of associates	1,331
Other income	1,261
Other gains and losses	(395)
Corporate expenses	(10,198)
Profit before tax	26,893

4. SEGMENT INFORMATION *(continued)*

Six months ended 30 June 2011

	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	42,082	1,773	290,140	272	334,267
Segment profit	29,317	515	23,744	210	53,786

Reconciliation of revenue

	RMB'000
Total segments revenue	334,267
Revenue from construction of gas pipeline infrastructure	3,558
Revenue	337,825

Reconciliation of segment profit

	RMB'000
Total segment profit	53,786
Profit from construction of gas pipeline infrastructure	282
Share of profit of associates	2,377
Other income	3,869
Other gains and losses	(397)
Corporate expenses	(15,734)
Finance costs	(168)
Profit before tax	44,015

4. SEGMENT INFORMATION *(continued)*

Three months ended 30 June 2010

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

Reconciliation of revenue

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

Reconciliation of segment profit

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

4. SEGMENT INFORMATION *(continued)*

Six months ended 30 June 2010

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

Reconciliation of revenue

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

Reconciliation of segment profit

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

5a. OTHER INCOME

	Three months ended 30 June		Six months ended 30 June	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Value added tax refund	**1,058**	2,615	**3,468**	3,011
Bank interest income	**203**	100	**401**	268
	1,261	2,715	**3,869**	3,279

5b. OTHER GAINS AND LOSSES

	Three months ended 30 June		Six months ended 30 June	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Net loss on fair value change of held for trading investments	**395**	497	**397**	295

6. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Interest on bank borrowings wholly repayable within five years	**—**	(536)	**(168)**	(1,062)

7. PROFIT BEFORE TAX

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

	Three months ended 30 June		Six months ended 30 June	
	2011 RMB'000	2010 RMB'000	**2011 RMB'000**	2010 RMB'000
Depreciation of property, plant and equipment	**1,883**	1,347	**3,290**	2,691
Amortisation of intangible assets included in cost of sales	**9,627**	2,454	**12,154**	4,881
Amortisation of prepaid lease payments included in administrative expenses	**50**	37	**101**	73
Operating lease rentals in respect of rented premises	**60**	130	**163**	262
Allowances for bad and doubtful debts in respect of trade receivables	**756**	—	**756**	—
Net exchange loss	**—**	(9)	**—**	(9)
Fair value changes of held for trading investment (included in other gains and losses)	**395**	497	**397**	295

8. INCOME TAX EXPENSE

	Three months ended 30 June		Six months ended 30 June	
	2011 RMB'000	2010 RMB'000	**2011 RMB'000**	2010 RMB'000
The charge comprises:				
Current PRC enterprise income tax	**6,940**	5,293	**11,032**	9,060
Deferred taxation	**(162)**	(12)	**(131)**	52
	6,778	5,281	**10,901**	9,112

8. INCOME TAX EXPENSE *(continued)*

The Company and a subsidiary are subject to the PRC Enterprise Income Tax rate of 25% for both periods of three and six months ended 30 June 2011 (three and six months ended 30 June 2010: 25%).

One of the subsidiaries did not have taxable profit for six months ended 30 June 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

No dividends were declared or proposed during the reporting periods. The directors do not recommend the payment of an interim dividend. The Company had paid dividend of RMB625,500 declared in June 2009 in current period.

10. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to the owners of the Company is based on the following data:

	Three months ended 30 June		Six months ended 30 June	
	2011 RMB'000	2010 RMB'000	**2011 RMB'000**	2010 RMB'000
Earnings				
Earnings for the purpose of basic earnings per share Profit for the period attributable to owners of the Company	**20,115**	17,036	**33,114**	26,723
Number of shares				
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,786,253**	1,149,600	**1,469,685**	1,149,600

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

The weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted for share issue that took place on 7 April 2011.

11. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred approximately RMB37,748,000 (six months ended 30 June 2010: RMB12,457,000) on acquisition of property, plant and equipment of which approximately RMB 22,685,000 was settled by issue of shares to 天津市燃氣集團有限公司("Tianjin Gas") as disclosed in note 18 and approximately RMB13,622,000 was paid by Tianjin Gas on the behalf of the Company. The Company has not settled the amount of RMB13,622,000 to Tianjin Gas at the end of the reporting period.

12. PREPAID LEASE PAYMENTS

	30 June 2011 RMB'000	31 December 2010 RMB'000
Leasehold land outside Hong Kong:		
Medium-term lease	**8,340**	8,441
Analysed for reporting purpose as:		
Current portion (included in deposits, prepayments and other receivables)	**215**	215
Non-current portion	**8,125**	8,226
	8,340	8,441

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

13. INTANGIBLE ASSETS

During the period, the Group incurred approximately RMB567,435,000 (six months ended 30 June 2010: RMB312,000) on acquisition of intangible assets of which approximately RMB567,317,000 was settled by issue of shares to Tianjin Gas as disclosed in note 18.

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

14. TRADE RECEIVABLES

	30 June 2011 RMB'000	31 December 2010 RMB'000
Bills and trade receivables	**103,359**	61,220
less: Impairment loss recognised	**(13,430)**	(12,674)
	89,929	48,546

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

14. TRADE RECEIVABLES *(continued)*

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

	30 June 2011 RMB'000	31 December 2010 RMB'000
0-90 days	22,639	18,527
91-180 days	46,599	6,557
181-270 days	2,779	1,017
271-365 days	1,260	—
Over 365 days	16,652	22,445
	89,929	48,546

15. AMOUNT DUE FROM A SHAREHOLDER

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

16. TRADE AND OTHER PAYABLES

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

	30 June 2011 RMB'000	31 December 2010 RMB'000
0-90 days	8,224	10,912
91-180 days	123	123
181-270 days	9,763	41
271-365 days	—	—
Over 365 days	313	1,101
	18,423	12,177

17. BORROWINGS

	30 June 2011 RMB'000	31 December 2010 RMB'000
Unsecured bank loans	—	40,000

The above loan was unsecured, carried People Bank of China interest rate at floating rate of 5.31% per annum and had been fully repaid on 28 January 2011.

18. SHARE CAPITAL

Shares of RMB0.1 each
Issued and fully paid

	Number of shares		Share Capital
	Domestic Shares	H Shares	RMB'000
As at 1 January 2010, 30 June 2010 and 31 December 2010	649,540,000	500,060,000	114,960
Issued as consideration for the acquisition of assets (note)	689,707,800	—	68,971
As at 30 June 2011	1,339,247,800	500,060,000	183,931

Note: Pursuant to the announcement of the Company dated 5 October 2009 and the circular of the Company dated 31 December 2010 in relation to the very substantial acquisition, the Company entered into the Assets Acquisition Agreement with Tianjin Gas, pursuant to which the Company conditionally agreed to acquire from Tianjin Gas the Transferred Assets with fair value of approximately RMB590,002,000 as at 1 April 2011. To satisfy the consideration, the Company issued, in aggregate, 689,707,800 Domestic Shares to Tianjin Gas on 7 April 2011 and the transaction was completed on 11 April 2011.

19. CAPITAL COMMITMENTS

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

	30 June 2011 RMB'000	31 December 2010 RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**1,877**	2,067
Capital expenditure authorised but not contracted for in respect of acquisition of property, plant and equipment	**11,015**	15,305
Capital expenditure in respect of the acquisition of additional interest of an associate	**3,000**	—

(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 construction fee and entrustment fee amounted to approximately RMB 13,622,000 (six months ended 30 June 2010: RMB 12,000,000) was incurred during the six months ended 30 June 2011.

20. RELATED PARTY TRANSACTIONS/BALANCES

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

Name of related party	Relationship	Nature of transactions	Three months ended 30 June 2011 RMB'000	Three months ended 30 June 2010 RMB'000	Six months ended 30 June 2011 RMB'000	Six months ended 30 June 2010 RMB'000
Tianjin Gas	Shareholder	Purchase of gas	**172,405**	48,269	**239,810**	100,987
		Construction fee paid	**—**	—	**—**	12,000
		Gas transportation income	**900**	940	**1,773**	2,550
天津市煤氣工程設計院 (Note i)	Controlled by the same ultimate holding company	Construction design fee	**3**	43	**3**	43

Name of related party	Relationship	Nature of balances	30 June 2011 RMB'000	31 December 2010 RMB'000
Tianjin Gas	Shareholder	Amount due from a shareholder	**66,136**	12,024
天津市煤氣工程 設計院 (Note i)	Controlled by the same ultimate holding company	Amount due to a related party	**160**	1,298
貴州津維礦業投資有限公司	Associate	Amount due from an associate	**1,310**	—

Note:

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

(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 30 June 2011 RMB'000	Three months ended 30 June 2010 RMB'000	Six months ended 30 June 2011 RMB'000	Six months ended 30 June 2010 RMB'000
Short-term benefit	**405**	226	**800**	796
Post employment benefit	**3**	1	**6**	4
	408	227	**806**	800

(c) 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 the Transferred Assets, in consideration for issuing 689,707,800 shares of the Company. The transaction was completed on 11 April 2011. 689,707,800 new domestic shares were issued by the Company on 7 April 2011 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 six months ended 30 June 2011 (the "Period"), the Group reported a revenue of approximately RMB337.83 million, representing an increase of approximately 103.84% as compared with the first half year of 2010. The Group's net profit for the first half year of 2011 amounted to approximately RMB33.11 million (six months ended 30 June 2010: RMB26.72 million).

Segmental Information Analysis

During the six months ended 30 June 2011, the Group has continued its formulated development strategies to provide piped gas connection to the users in the Group's operational locations in Tianjin City and Jining, Inner Mongolia. Sales of piped gas is the major source of income for the Group, which is followed by gas connection, gas transportation and sales of gas appliances. The Group will further expand the operation in these four areas, in order to attain its strategic objectives for the remaining period of this year.

Liquidity, Financial Resources and Capital Structure

The Group is generally funded by equity financing. As at 30 June 2011, the Group did not have any bank borrowing.

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

The Group's asset liability ratio (total liabilities to total asset rate) as at 30 June 2011 was approximately 5.20%.

Contingent Liabilities

As at 30 June 2011, the Group had no material contingent liabilities or guarantees.

Staff and Emolument Policy

As at 30 June 2011, the Group had a workforce of 995 full-time employees.

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

Dividend

No dividends were declared or proposed during the reporting periods. The directors do not recommend the payment of an interim dividend.

Acquisition of Assets

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 then 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 Company has received the formal approval from the relevant Industry and Commerce Administrative Bureau on 11 April 2011 by the issuance of the business licence in relation to the allotment of consideration shares of 689,707,800 domestic shares of the Company (the "Consideration Shares") and the amendment to the articles of association of the Company for the increase of the registered capital of the Company which is dated 7 April 2011. Although the said business licence from the relevant Industry and Commerce Administrative Bureau is dated 7 April 2011, the Company has only received the business licence on 11 April 2011. In this regard, all conditions under the Assets Acquisition Agreement have been fulfilled and accordingly the completion of the Proposed Assets Transfer took place on 11 April 2011. In particular, pursuant to the Assets Acquisition Agreement, the Consideration Shares have been duly allotted and issued to Tianjin Gas and Tianjin Gas became the ultimate holding company of the Company.

For details, please refer to the announcement of the Company dated 11 April 2011.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The following is the comparison of the actual business progress to the information provided under the section headed "Statement of Business Objective" in the circular of the Company dated 31 December 2010 in relation to the Assets Acquisition Agreement (the "Circular"). The Company was treated as a deemed new listing applicant as result of the acquisition, which was completed on 11 April 2011.

For the period from 1 January 2011 to 30 June 2011

	Business objectives stated in the Circular	Actual business progress
Expansion in existing Operational Locations	• To expand gas pipeline connections in the Group's existing Operational Locations • Estimated number of new connections of approximately 6,000 users	The number of new connections in Xiao Hai Di of Hexi District, part of Jinnan District, Xiqin District, Hangu District and Ninghe District for the six months ended 30 June 2011 was approximately 5,600 users.
Expansion of gas pipelines network via acquisitions	• To expand gas pipeline connections in the new operational locations in Hedong District and Heping District in Tianjin City • Estimated number of new connections of approximately 4,500 users	For the six months ended 30 June 2011, there were 4 gas pipeline connection projects and 2,400 newly connected users in Hedong and Heping Districts. The growth rate of connected users was slowed down due to the delay of the 2 gas pipeline connection projects to the second half of 2011.
Development of piped natural gas operations in Jining City	• To make new connections within Jining • Estimated number of new connections of approximately 1,400 users	For the six months ended 30 June 2011, there were approximately 1,300 newly connected users in Jining City.

	Business objectives stated in the Circular	Actual business progress
Gas transportation via Gangnan Pipeline and Beihuan Pipeline	• Transmit gas of approximately 500 million cubic meters	For the six months ended 30 June 2011, gas transmission volume was approximately 101 million cubic meters, which was lower than expected. It was mainly attributable to (1) the delay in the construction of Beihuan Pipeline as a result of the change in road planning by the PRC government that directly affected the gas transmission volume for the six months ended 30 June 2011, and the construction is expected to be completed by August this year; and (2) the gas transmission to Tianjin Gas through the Gangnan Pipeline decreased.
Expansion in Binhai New District	• Invest further capital of approximately RMB 40 million in Binhai Gas	The Company is still in negotiation with Tianjin Gas for the expansion in the Binhai New District.
Transfer of Listing	• To complete	The Company has filed the application to the Stock Exchange for the transfer of listing of its H Shares from GEM to the Main Board on 1 August 2011.

PROSPECTS

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 Proposed Assets Transfer was completed on 11 April 2011.

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.

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.

The Directors announced that the Company had submitted a formal application form to the Stock Exchange on 1 August 2011 for the proposed transfer of listing of the Shares from GEM to the Main Board of the Stock Exchange (the "Proposed Transfer").

The Directors believe that listing of the H Shares on the Main Board will enhance the profile of the Group and could improve trading liquidity of the H Shares. The Directors also consider that listing of the H Shares on the Main Board will be beneficial to the future growth, financing flexibility and business development of the Group. No material change in the business of the Group is contemplated by the Directors following the Proposed Transfer.

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 30 June 2011, the interests and short positions of the Directors, chief executives and supervisors ("Supervisors") of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the required standard of dealings by Directors and Supervisors as referred to in Rule 5.46 of the GEM Listing Rules to be notified to the Company and the Stock Exchange were as follows:

Long position

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

Name of Director/ Supervisor	Capacity	Number of Domestic Shares held	Approximate percentage of interests in the Company/ Domestic Shares of the Company
Ms. Tang Jie	Beneficial owner	41,700,000	2.27%/3.11%
Mr. Bai Shao Liang (please see Note 3 under the section "Substantial Shareholders")	Held by controlled corporation	235,925,000	12.83%/17.62%

Save as disclosed in the above paragraph, as at 30 June 2011, none of the Directors, chief executives and Supervisors of the Company had interests or short positions in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the required standard of dealings by Directors and Supervisors as referred to in Rule 5.46 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

Substantial Shareholders and Other Shareholders

So far as known to the Directors, as at 30 June 2011, the following persons, not being a Director, chief executive or Supervisor of the Company, had interests or short positions in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and required to be recorded in the register kept by the Company pursuant to section 336 of the SFO:

Substantial Shareholders

Long position

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

Name of Shareholder	Capacity	Number of Domestic Shares held	Approximate percentage of interests in the Company/ Domestic Shares of the Company
Tianjin Beacon Coatings Co., Ltd (Note 1) 天津燈塔涂料有限公司	Beneficial owner	118,105,313	6.42%/8.82%
Tianjin Gas Group Company Limited 天津市燃氣集團有限公司	Beneficial owner	943,517,487 (Note 2)	51.30%/70.45%
Tianjin Wanshun Real Estate Company Limited 天津市萬順置業有限公司	Beneficial owner	235,925,000	12.83%/17.62%
Ms. Li Sha (Note 3)	Family	235,925,000	12.83%/17.62%

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: Out of 943,517,487 domestic Shares, the interest in 689,707,800 domestic Shares derived from the Consideration Shares (as defined in the paragraph headed "ACQUISITION OF ASSETS" of this report).

Note 3: As at 30 June 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.

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	0.79%/2.90%
	Held by controlled corporation (note 2)	30,000,000	1.63%/6.00%
Law Suet Yi	Interests held jointly with another person (note 1)	14,500,000	0.79%/2.90%
	Interest of spouse (note 3)	30,000,000	1.63%/6.00%
The Waterfront Development Group Limited	Beneficial owner (note 2)	30,000,000	1.63%/6.00%
Martin Currie (Holdings) Limited	Held by controlled corporation (note 4)	46,110,000	2.51%/9.22%

Notes:

1. As at 30 June 2011, Mr. Liu Hei Wan and Ms. Law Suet Yi jointly held the 14,500,000 H shares of the Company.

2. The Waterfront Development Group Limited is wholly owned by Mr. Liu Hei Wan and thus a controlled corporation by Mr. Liu Hei Wan. Mr. Liu Hei Wan is deemed, or taken to be, interested in the 30,000,000 shares which are beneficially owned by The Waterfront Development Group Limited for the purpose of the SFO.

3. Ms. Law Suet Yi is the spouse of Mr. Liu Hei Wan and therefore, Ms. Law Suet Yi is deemed, or taken to be, interested in all the shares in which Mr. Liu Hei Wan is interested for the purpose of SFO.

4. Martin Currie Inc and Martin Currie Investment Management Limited are indirectly wholly owned by Martin Currie (Holdings) Limited and thus both of them are controlled corporations of Martin Currie (Holdings) Limited. Martin Currie (Holdings) Limited is deemed, or taken to be, interested in the 25,950,000 Shares and the 20,160,000 Shares beneficially owned by Martin Currie Inc and Martin Currie Investment Management Limited respectively for the purpose of the SFO.

Save as disclosed above, as at 30 June 2011, the Directors are not aware of any person, not being a Director, chief executive or Supervisor of the Company, who had interests or short positions in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and required to be recorded in the register kept by the Company pursuant to section 336 of the SFO.

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

During the six months ended 30 June 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 had a material interest, whether directly or indirectly, subsisted at the end of the Period 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 30 June 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. Jin Jian Ping (an executive Director and the Chairman of the Company) and Mr. Dong Hui Qiang (an executive Director) 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 30 June 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 six months ended 30 June 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 was the Company or its subsidiaries a party to any arrangements to enable the Directors and Supervisors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Code of Conduct Regarding Securities Transactions by Directors

During the six months ended 30 June 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 Rules 5.23 to 5.25 of the GEM Listing Rules. The primary duties of the audit committee are to review and to provide supervision over the financial reporting process and internal control system of the Group. The audit committee comprises the three independent non-executive Directors, Professor Zhang Yu Li, Mr. Luo Wei Kun and Mr. Chan Shun Kuen, Eric. The Audit Committee has reviewed the results and report for this period.

SUBSEQUENT EVENTS

CHANGE OF CHAIRMAN OF THE BOARD AND RESIGNATION OF DIRECTOR

On 25 July 2011, Mr. Sun Bo Quan ("Mr. Sun") tendered his resignation as the chairman of the Board and a non-executive Director as he has reached the age of retirement. The Board has unanimously decided that Mr. Jin Jian Ping, an executive Director, shall replace Mr. Sun to act as the chairman of Board with immediate effect. The resignation of Mr. Sun as a non-executive Director will be subject to approval of appointment of the new Director by the shareholders of the Company (the "Shareholders") at the forthcoming extraordinary general meeting of the Company (the "General Meeting").

On 1 July 2011, Mr. Sun Bo Quan resigned as the chairman of the board of directors of Tianjin Gas. On the same date, Mr. Jin Jian Ping resigned as the general manager, vice party secretary and vice chairman of the board of directors of Tianjin Gas and was appointed as the party secretary and chairman of the board of directors of Tianjin Gas.

For details, please refer to the Company's announcement dated 25 July 2011.

APPOINTMENT OF NEW DIRECTOR

The Company proposes to appoint Mr. Zhang Tianhua to be an executive Director, and will propose the appointment at the General Meeting for the consideration and approval of the Shareholders.

For details, please refer to the Company's announcement dated 25 July 2011 and circular dated 8 August 2011.

POSSIBLE TRANSFER OF LISTING FROM THE GEM TO THE MAIN BOARD

The Directors announced that the Company had submitted a formal application form to the Stock Exchange on 1 August 2011 for the Proposed Transfer.

By order of the Board
Tianjin Tianlian Public Utilities Company Limited
Jin Jian Ping
Chairman

Tianjin, PRC, 11 August 2011

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