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)

2005 Interim Report

* For identification purpose only

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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.

HIGHLIGHTS

- Revenue of approximately RMB7,914,000 for the six months ended 30 June 2005.
- Gross profit of approximately RMB677,000 for the six months ended 30 June 2005.
- Net loss of approximately RMB8,785,000 for the six months ended 30 June 2005.

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 for the six months ended 30 June 2005 together with the unaudited comparative figures for the six months ended 30 June 2004 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2005

		Three months ended		Six months ended	
	Notes	**30 June 2005 RMB'000 (unaudited)**	30 June 2004 RMB'000 (unaudited)	**30 June 2005 RMB'000 (unaudited)**	30 June 2004 RMB'000 (unaudited)
Revenue	*4 & 5*	**5,127**	27,149	**7,914**	28,902
Cost of sales		**(4,453)**	(4,670)	**(7,237)**	(6,242)
Gross profit		**674**	22,479	**677**	22,660
Other operating income		**11**	15	**26**	32
Selling expenses		**(458)**	(26)	**(467)**	(50)
Administrative expenses		**(3,896)**	(4,214)	**(7,222)**	(6,163)
(Loss) profit from operations	*6*	**(3,669)**	18,254	**(6,986)**	16,479
Finance costs		**(844)**	(384)	**(1,700)**	(768)
(Loss) profit before taxation		**(4,513)**	17,870	**(8,686)**	15,711
Taxation charge	*7*	**(49)**	(6,067)	**(99)**	(5,354)
Net (loss) profit for the period		**(4,562)**	11,803	**(8,785)**	10,357
Attributable to:					
Equity holders of the parent		**(4,562)**	11,803	**(8,785)**	10,357
Minority interests		**—**	—	**—**	—
		(4,562)	11,803	**(8,785)**	10,357
(Loss) earnings per share — basic *(RMB cents)*	*9*	**(0.46)**	1.19	**(0.88)**	1.05

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2005

	Notes	**30 June 2005 RMB'000 (unaudited)**	31 December 2004 RMB'000 (restated)
Non-current assets			
Property, plant and equipment	*10*	**189,510**	173,658
Prepaid lease payments		**6,909**	7,038
Trade debtors — due after one year	*11*	**988**	4,281
Prepayment — due after one year		**199**	213
		197,606	185,190
Current assets			
Inventories		**975**	613
Trade debtors — due within one year	*11*	**7,696**	10,661
Amounts due from customers for contract work		**13,670**	13,670
Deposits, prepayments and other receivables		**24,317**	24,084
Prepaid lease payments		**258**	139
Bank balances and cash		**5,789**	20,180
		52,705	69,347
Current liabilities			
Creditors and accrued charges	*12*	**8,744**	13,284
Advances from a shareholder	*13*	**10,000**	—
Bank loans — due within one year		**55,000**	56,000
		73,744	69,284

	Notes	**30 June 2005 RMB'000 (unaudited)**	31 December 2004 RMB'000 (restated)
Net current (liabilities) assets		**(21,039)**	(63)
Total assets less current liabilities		**176,567**	185,253
Equity attributable to equity holders of the parent			
Share capital	*15*	**99,500**	99,500
Share premium and reserves		**76,359**	85,144
		175,859	184,644
Minority interests		**—**	—
Total equity		**175,859**	184,644
Non-current liabilities			
Deferred taxation	*14*	**708**	609
		176,567	185,253

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2005

	Attributable to equity holders of the parent							
	Share capital	Share premium	Statutory surplus reserve	Statutory welfare fund	Accumulated profits	Total	Minority interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*	*(unaudited)*	*(unaudited)*	*(unaudited)*	*(unaudited)*
At 1 January 2004	69,500	–	4,775	2,387	41,416	118,078	400	118,478
Issue of H shares	30,000	49,928	–	–	–	79,928	–	79,928
Shares issue expenses	–	(18,261)	–	–	–	(18,261)	–	(18,261)
Net profit for the period	–	–	–	–	10,357	10,357	–	10,357
At 30 June 2004	99,500	31,667	4,775	2,387	51,773	190,102	400	190,502
Net loss for the period	–	–	–	–	(5,458)	(5,458)	(400)	(5,858)
Transfer	–	–	445	222	(667)	–	–	–
At 31 December 2004	99,500	31,667	5,220	2,609	45,648	184,644	–	184,644
Net loss for the period	–	–	–	–	(8,785)	(8,785)	–	(8,785)
At 30 June 2005	99,500	31,667	5,220	2,609	36,863	175,859	–	175,859

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2005

	Six months ended 30 June	
	2005	2004
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Net cash (used in) from operating activities	**(5,055)**	4,506
Net cash used in investing activities	**(18,336)**	(10,298)
Net cash from financing activities	**9,000**	61,667
Net (decrease) increase in cash and cash equivalents	**(14,391)**	55,875
Cash and cash equivalents at 1 January	**20,180**	2,972
Cash and cash equivalents at 30 June	**5,789**	58,847
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**5,789**	58,847

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2005

1. GENERAL

The Company was established in 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.

The principal activities of the Company are the operation and management of gas pipeline infrastructure and the sale and distribution of piped gas. The principal activity of its subsidiary is the sale of gas and gas appliances.

2. BASIS OF PREPARATION

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

In preparing the interim financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the Group having net current liabilities of RMB21,039,000 as at 30 June 2005 and having incurred loss for the period then ended.

The directors are currently in discussion with one of the substantial shareholders to further develop the gas supplier business of the Group. The directors expect that the financial position of the Group will be improved after implementing the gas supplier development plan. In addition, another substantial shareholder of Company is currently continuing to provide the operation funds to the Company to meet its current working capital requirement. As of 30 June 2005, the Company has received advances from the substantial shareholder of RMB10,000,000. Provided that the gas supplier development plan is successfully implemented, the directors are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the interim financial statements have been prepared on a going concern basis.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared on the historical cost basis.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2004 except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (HKFRSs), Hong Kong Accounting Standards (HKASs) and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are effective for accounting periods beginning on or after 1 January 2005. The adoption of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and statement of changes in equity. In particular, the presentation of minority interests has been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented:

Owner-occupied Leasehold Interest in Land

In previous periods, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current period, the Group has applied HKAS 17 Leases. Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively, and such change has had no effect on the result for the current period and prior period.

The cumulative effects of the application of the new HKFRS as at 31 December 2004 and 1 January 2005 are summarized as below:

	As at 31 December 2004 *(originally stated)* *RMB'000*	Adjustment *RMB'000*	As at 31 December 2004 *(restated)* *RMB'000*	Adjustment *RMB'000*	**As at 1 January 2005** ***(restated)*** ***RMB'000***
Balance sheet items					
Property, plant and equipment	180,835	(7,177)	173,658	–	**173,658**
Prepaid lease payments	–	7,177	7,177	–	**7,177**
Total effects on assets and liabilities	180,835	–	180,835	–	**180,835**

The Group has not early applied the following new Standards or Interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these Standards or Interpretations will have no material impact on the financial statements of the Group.

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 (Amendment)	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The fair Value option
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS-Int 4	Determining whether an Arrangement Contains a Lease
HKFRS-Int 5	Rights to Interests Arising from Decommissing, Restoration and Environmental Rehabilitation Funds

4. REVENUE

Revenue represents revenue from gas connection contracts, net of business and related tax and surcharges, and from the sales of gas and gas appliances, net of value added tax, during the period.

5. SEGMENT INFORMATION

(a) *Business segments*

For management purposes, the Group is currently divided into three divisions, namely gas connection, sales of gas and sales of gas appliances. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

	Revenue				Result			
	Three months ended 30 June		Six months ended 30 June		Three months ended 30 June		Six months ended 30 June	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Gas connection contract revenue	**3,979**	26,272	**5,463**	27,236	**1,537**	23,057	**2,547**	23,691
Sales of gas	**1,045**	720	**2,206**	1,489	**(109)**	138	**(377)**	401
Sales of gas appliances	**103**	157	**245**	177	**6**	29	**27**	32
	5,127	27,149	**7,914**	28,902	**1,434**	23,224	**2,197**	24,124
Other operating income					**11**	15	**26**	32
Unallocated expenses:								
– depreciation *(Note)*					**(760)**	(745)	**(1,520)**	(1,464)
– corporate expenses					**(4,354)**	(4,240)	**(7,689)**	(6,213)
(Loss) profit from operations					**(3,669)**	18,254	**(6,986)**	16,479
Finance costs					**(844)**	(384)	**(1,700)**	(768)
(Loss) profit before taxation					**(4,513)**	17,870	**(8,686)**	15,711
Taxation charge					**(49)**	(6,067)	**(99)**	(5,354)
(Loss) profit before minority interest					**(4,562)**	11,803	**(8,785)**	10,357
Minority interest					**–**	–	**–**	–
Net (loss) profit for the period					**(4,562)**	11,803	**(8,785)**	10,357

Note: The depreciation of property, plant and equipments relating to the gas connection and sales of gas is included in cost of sales.

(b) ***Geographical segment***

The Group's operations are all located in the PRC and accordingly, no geographical segment analysis is presented.

6. (LOSS) PROFIT FROM OPERATIONS

(Loss) profit from operations has been arrived at after charging (crediting):

	Three months ended 30 June		Six months ended 30 June	
	2005	2004	**2005**	2004
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Depreciation and amortisation	**1,263**	1,059	**2,494**	2,133
Operating lease rentals in respect of rented premises	**245**	142	**423**	377
Interest income	**(8)**	(15)	**(23)**	(32)

7. TAXATION

	Three months ended 30 June		Six months ended 30 June	
	2005	2004	**2005**	2004
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
The charge comprises:				
PRC income tax	**–**	5,254	**–**	5,254
Deferred taxation	**49**	813	**99**	100
	49	6,067	**99**	5,354

The Company's head office in Tianjin is subject to the PRC enterprise income tax rate of 33% for the period.

In respect of the Company's branch office in Jining, the PRC, the branch office is entitled to exemption from the PRC enterprise income tax for the three years commencing from January 2003 according to the approval granted by the local tax bureau on 30 August 2003. The Jining Government granted such exemption as an incentive to the branch office for hiring over 30% of its workforce from workers laid off by state-owned enterprises.

The subsidiary did not have taxable profit for the period.

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

8. DIVIDEND

The directors do not recommend the payment of an interim dividend for the period.

9. (LOSS) EARNINGS PER SHARE

The calculation of basic (loss) earnings per share is based on the following data:

	Three months ended 30 June		Six months ended 30 June	
	2005	2004	**2005**	2004
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Net (loss) profit for the period	**(4,562)**	11,803	**(8,785)**	10,357
Weighted average number of shares for the purpose of basic (loss) earnings per share	**995,000,000**	995,000,000	**995,000,000**	981,813,186

No diluted earnings per share has been presented as the Company had no dilutive potential ordinary shares during the period or at the balance sheet date.

10. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred approximately RMB18,336,000 (six months ended 30 June 2004: RMB9,593,000) on acquisition of property, plant and equipment.

11. TRADE DEBTORS

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. In addition, the Group operates an instalment arrangement for its retail customers in respect of the gas connection contracts under which the customers can settle the balance by instalment over a period of 4 years.

The aged analysis of net trade debtors is as follows:

	30 June 2005	31 December 2004
	RMB'000	*RMB'000*
0 — 90 days	**2,529**	5,059
91 — 180 days	**155**	400
181 — 270 days	**1,438**	2,265
271 — 365 days	**307**	491
Over 365 days	**4,255**	6,727
	8,684	14,942
Less: Amount due after one year	**(988)**	(4,281)
Amount due within one year	**7,696**	10,661

12. CREDITORS AND ACCRUED CHARGES

The following is an aged analysis of trade creditors at the reporting date:

	30 June 2005 *RMB'000*	31 December 2004 *RMB'000*
0 — 90 days	**2,531**	1,428
91 — 180 days	**1,209**	125
181 — 270 days	**790**	249
271 — 365 days	**—**	—
Over 365 days	**2,191**	8,809
	6,721	10,611

Included in the balance of the trade creditors as of 30 June 2005, there was an amount of RMB1,165,000 (31 December 2005: nil) due to Tianjin Gas Group Co., Ltd., a shareholder of the Company, for purchase of natural gas which is unsecured, interest free and repayable on demand.

13. ADVANCES FROM A SHAREHOLDER

The amount advanced from Tianjin Lian Sheng Investment Group Company Ltd., a shareholder of the Company, is unsecured, interest free and repayable on demand.

14. DEFERRED TAXATION

In respect of accelerated depreciation:

	30 June 2005 *RMB'000*	31 December 2004 *RMB'000*
At beginning of the period/year	**609**	411
Charge for the period/year	**99**	198
At end of the period/year	**708**	609

15. SHARE CAPITAL

	Number of shares		**Registered, issued and fully paid**
	Domestic Shares	**H Shares**	*RMB'000*
Shares of RMB0.1 each			
Balance at 1 January 2005 and 30 June 2005	665,000,000	330,000,000	99,500

There were no movements in the share capital of the Company during the period.

16. CAPITAL COMMITMENTS

At the balance sheet date, the Group had the following commitments:

	30 June 2005 *RMB'000*	31 December 2004 *RMB'000*
Capital expenditure in respect of acquisition of property, plant and equipment:		
— contracted for but not provided in the financial statements	**13,106**	23,753
— authorised but not contracted for	**68,417**	93,993
	81,523	117,746

17. RELATED PARTY TRANSACTIONS

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

Name of related party	**Relationship**	**Nature of transactions**	**Six moths ended 30 June 2005** *RMB'000*	2004 *RMB'000*
Tianjin Gas Group Co., Ltd.	Shareholder	Purchase of gas *(note a)*	**1,940**	737
天津市煤氣工程設計院	A subsidiary of a shareholder	Design fee gas pipeline network *(note b)*	**–**	124

Notes:

(a) The purchase prices of these transactions were arrived at by reference to the price set by the relevant commodity price bureau.

(b) The price for the transaction was based on an agreed percentage of the total investment cost of the respective pipeline network project, subject to a cap of the lower of 5%, or the percentage as calculated under the pipeline design fee standard as set by the Construction Department of the State Planning Bureau of the PRC, of the total investment cost.

(ii) At the balance sheet date, the Group has certain balances with related parties and details of these are set out in notes 12 and 13.

REVIEW REPORT

Deloitte.
德勤

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 been instructed by the directors of the Company to review the interim financial report set out on pages 3 to 15.

DIRECTORS' RESPONSIBILITIES

The Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Hong Kong Accounting Standard 34 (HKAS 34) "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report, 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.

REVIEW WORK PERFORMED

We conducted our review in accordance with Statement of Auditing Standards 700 ("SAS 700") "Engagements to Review Interim Financial Reports" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of Group management and applying analytical procedures to the interim financial report and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

FUNDAMENTAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS

In arriving at our review conclusion, we have considered the adequacy of the disclosures made in note 2 to the interim financial report in light of the net current liabilities of RMB21,039,000 as at 30 June 2005 and the loss for the period then ended. The directors are currently in discussion with one of the substantial shareholders to further develop the gas supplier business of the Group. The directors expect that the financial position of the Group will be improved after implementing the gas supplier development plan. In addition, another substantial shareholder of the Company is currently continuing to provide the operation funds to the Company to meet its current working capital requirement. As of 30 June 2005, the Company has received advances from this substantial shareholder of RMB10,000,000. Provided that the gas supplier development plan is successfully implemented, the directors are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. The interim financial statements have been prepared on a going concern basis, the validity of which depends upon the success of gas supplier development plan. The interim financial statements do not include any adjustments that would result from a failure by the Group to implement the gas supplier development plan. We consider that appropriate disclosures have been made in the interim financial statements and our review conclusion is not modified in this respect.

REVIEW CONCLUSION

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial statements for the six months ended 30 June 2005.

Without modifying our review conclusion, we draw to your attention that the comparative condensed income statements for each of the three-month periods ended 30 June 2005 and 2004 disclosed in the interim financial report have not been reviewed in accordance with SAS 700.

DELOITTE TOUCHE TOHMATSU
Certified Public Accountants

Hong Kong, 12 August 2005

Comparisons of the business objectives with the actual business progress set out in the prospectus of the Company for the period from 1 January 2005 to 30 June 2005 are as follows:

	Business objective six months ended 30 June 2005	Actual business progress six months ended 30 June 2005
Development of piped natural gas supply projects in Tianjin City:		
	Commence gas pipeline network connections in the following districts within the Group's existing Operational Locations in Tianjin City:	Commenced gas pipeline network connections in the following districts within the Group's existing Operational Locations in Tianjin City:
	• Shuang Ma district (雙馬小區), Anju district (安居小區), Shuang Lin residential district (雙林居住區)	• Tianjin Railway Project • Jinnan Development district
Development of piped natural gas supply project in Jining:	• Making new connections within Jining	• Made new connections within Jining

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

	Business objective six months ended 30 June 2005	**Actual business progress six months ended 30 June 2005**
Development of piped LPG supply project in Yulin:	• Making new connections within Yulin	• Making new connections within Yulin
Estimated no. of new connections that is determined with reference to information in the Tianjin Plan, Jining Report and Yulin Report (units)	21,200	776 (including 4 industrial users)
Estimated aggregate pipeline network constructed (km)	560	354
Estimated maximum daily gas supply capacity (m^3)		
– Natural gas	91,000	46,000
– LPG	3,900	0
Investment in other gas supply related projects	• Conduct feasibility studies on potential investment targets and make new investment if considered appropriate	• Conducting feasibility studies on potential investment targets

The economic control in China (e.g. lending, etc) has largely affected the property industry, which in turn affected our business as our business is largely related with the property market.

Furthermore, the progress for our Yulin project is slower than expected as the negotiation process was slower than expected and the process was more complex than expected. As a result, there was a delay in the commencement of the Yulin Project.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

On 9 January 2004, the Company received net proceeds, after deducting all relevant share issue expenses, of approximately HK$60 million from the new issue of shares by way of public offer and placing. Up to 30 June 2005, the Group has applied the net proceeds as follows:

	Use of Proceeds extracted from the Prospectus up to June 2005 *HK$ million*	**Actual amount used up to 30 June 2005** *HK$ million*
Development of piped natural gas supply projects in Tianjin City	30	15
Development of piped natural gas supply project in Jining City	15	15
Development of piped LPG supply project in Yulin City *(Note 1)*	15	30
Total	60	60

Note 1: Actual amount used included deposit for gas supply.

As affected by the economic control in the PRC, our group's project progress in Tianjin was slower and hence, the use of proceeds for the project were slower than expected. However, for the Yulin project, the amount of proceeds used exceeded the amount as stated in the prospectus mainly because of the payment of a deposit to a gas supplier to secure gas supply.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group was successfully listed on GEM on 9 January 2004.

BUSINESS REVIEW

For the first half year of 2005, the Group reported a revenue of approximately RMB7,914,000, representing a decrease of approximately 72.6% as compared with the first half year of 2004. The Group's net loss for the first half year of 2005 amounted to approximately RMB8,785,000.

Financial Resources

The Group is generally funded by equity and bank borrowings. In addition to the RMB55 million bank loans, which were fully utilized by the Group as at 30 June 2005, the Group has an unutilized banking facility of RMB80 million short-term unsecured loan from a bank in the PRC. Save for the RMB25 million bank loan from Shanghai Pudong Development Bank, the remaining banking facilities of RMB110 million is provided by Agricultural Bank of China. The Group intends to renew the short-term banking facilities on an annual basis.

Contingent Liabilities

As at the balance sheet date, the Group had no material contingent liabilities or guarantees.

Staff and Emolument Policy

As at 30 June 2005, the Group had a workforce of 65 full-time employees, among which 98% were working in China.

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

PROSPECTS

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

Benefiting from the reformation of gas companies across China and the considerable demands, the Group expects to further increase the market share. The directors and management of the Company believe 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.

DIRECTORS' AND SUPERVISORS' INTERESTS IN SECURITIES

As at 30 June 2005, the interests and short positions of the Directors, Chief Executives 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 Model Code for Securities Transactions by Directors of Listed Companies 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 beneficial interests in the Company
Mr. Wang Zhong Sheng	Held by controlled corporation *(Note)*	396,150,000	39.81%
Ms. Tang Jie	Beneficial owner	41,700,000	4.19%

Note:

Mr. Wang Zhong Sheng and his wife together own the entire issued share capital of Tianjin Leason Investment Group Company Limited 天津市聯盛投資集團有限公司 which holds 396,150,000 Domestic Shares of the Company.

Mr. Wang Zhong Sheng has entered into an agreement to dispose of certain shares to Tianjin Gas Group (refer to section below).

Save as disclosed in above paragraph, as at 30 June 2005, none of the Directors, Chief Executives 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 Model Code for Securities Transactions by Directors of Listed Companies relating to securities transactions by directors to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

So far as known to the Directors, as at 30 June 2005, 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:

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

Name of shareholder	Capacity	Number of Domestic Shares held	Approximate percentage of beneficial interests in the Company
Tianjin Beacon Coatings Co., Ltd *(Note 1)* 天津燈塔涂料有限公司	Beneficial owner	123,014,790	12.36%
Tianjin Gas Group Company Limited 天津市燃氣集團有限公司	Beneficial owner	90,235,210	9.07%
Tianjin Leason Investment Group Company Limited	Beneficial owner	396,150,000	39.81%
Ms. Zhao Xin *(Note 2)*	Family	396,150,000	39.81%

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

Note 2: These Shares are held by Tianjin Leason Investment Group Company Limited which is owned as to 90% by Mr. Wang, the chairman of the Company and 10% by Ms. Zhao Xin, the wife of Mr. Wang. Under the SFO, Ms. Zhao Xin is taken to be interested in all the Shares held by Mr. Wang.

Mr. Wang Zhong Sheng has entered into an agreement for the transfer of certain shares (refer to section below).

Save as disclosed above as at 30 June 2005, the Directors are not aware of any person, 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.

SALE AND PURCHASE OF DOMESTIC SHARES

On 19 April 2005, the Board was informed by the respective boards of directors of Leason and Tianjin Gas of the followings:

1. on 18 April 2005 Leason and Tianjin Gas entered into the Agreement in relation to the sale of 174,125,000 Domestic Shares (representing approximately 17.5% of the total issued share capital of the Company) by Leason to Tianjin Gas at a price of RMB0.23 per Domestic Share amounting to a total consideration of RMB40,048,750;

2. on 17 May 2005, the Supplemental Agreement was entered into between Leason and Tianjin Gas pursuant to which the Agreement (as amended) will lapse in the event that the Conditions Precedents as described in the section headed "Conditions Precedents" cannot be fulfilled on or before 30 November 2005 (or such other later date as the parties to the Agreement may agree in writing); and

3. the entering into the Agreement was their commercial decision and was concluded after arm's length negotiation between the relevant parties.

Based on the above, upon completion of the Agreement, Leason and Tianjin Gas will be interested in approximately 22.31% and 26.57% of the total issued share capital of the Company respectively. Tianjin Gas will become the largest shareholder of the Company, while Leason will become the second largest shareholder of the Company.

The Directors confirm that there will be no change in the principal business of the Company and its subsidiaries upon completion of the Agreement.

CONDITIONS PRECEDENT

The completion of the Agreement is conditional on the fulfillment of the following:

(1) The Executive confirming that Tianjin Gas is not acting in concert with any other shareholders such that it is not obliged on completion of the Agreement to make a conditional mandatory general offer for all the issued shares in the capital of the Company not already owned or agreed to be acquired by Tianjing Gas under Rule 26.1 of the Takeovers Code; or

(2) If the Executive determines that Tianjin Gas and/or parties acting in concert with it are obliged on completion of the Agreement to make a conditional mandatory general offer for all the issued shares in the capital of the Company not already owned or agreed to be acquired by Tianjin Gas under Rule 26.1 of the Takeovers Code,

(i) Tianjin Gas and/or parties acting in concert with it must provide proof to the satisfaction of the SFC of sufficient financial resources available to Tianjin Gas to meet the full acceptance of the general offer; and

(ii) Tianjin Gas and/or parties acting in concert with it must comply with all applicable laws and rules in respect of the general offer, including obtaining all authorization from all appropriate regulatory bodies and taking other steps as required to make facilitate the general offer in Hong Kong.

The above Conditions Precedent cannot be waived by either Leason or Tianjin Gas.

IMPLICATION OF THE TAKEOVERS CODE

Since Tianjin Gas and Tianjin Beacon are both ultimately wholly owned by the Tianjin Municipal Government, they are, being fellow subsidiaries, presumed to be parties acting in concert under the Takeovers Code, unless the contrary is established. If Tianjin Gas and Tianjin Beacon are parties acting in concert, since they collectively hold less than 30% of the issued shares of the Company as at the date of the Agreement and the completion of the acquisition contemplated under the Agreement has the effect of increasing their collective holding of issued shares to more than 30% of the issued shares of the Company, Tianjin Gas is obliged on completion of the Agreement to make a conditional mandatory general offer for all the issued shares in the capital of the Company not already owned or agreed to be acquired by it under Rule 26.1 of the Takeovers Code.

An application has been made to the Executive on 28 April 2005 to rebut the presumption that Tianjin Gas and Tianjin Beacon are parties acting in concert.

Up to 30 June 2005, the rebutting process is still going on and the share transfer is not completed. The Company will make further announcement as and when necessary.

SHAREHOLDING STRUCTURE

The table below sets out the shareholding structure of the Company as at the date hereof and after the completion of the aforesaid Agreement:—

	As at the date hereof		No. of Domestic Shares involved in the Agreement	Completion of the Agreement	
	No. of shares	%	No. of shares	No. of shares	%
Initial Management Shareholders					
Leason *(Note 1)*	396,150,000	39.81%	(174,125,000)	222,025,000	22.31%
Tianjin Beacon *(Note 2)*	123,014,790	12.36%		123,014,790	12.36%
Tianjin Gas *(Note 3)*	90,235,210	9.07%	174,125,000	264,360,210	26.57%
Ms. Tang Jie *(Note 4)*	41,700,000	4.19%		41,700,000	4.19%
Ms. Liang Jing Qi *(Note 5)*	13,900,000	1.40%		13,900,000	1.40%
Total number of Domestic Shares	665,000,000	66.83%	–	665,000,000	66.83%
H Shares	330,000,000	33.17%		330,000,000	33.17%
Total issued share capital of the Company	995,000,000	100.00%	–	995,000,000	100.00%

Notes:

1. Leason is owned as to 90% by Mr. Wang, and as to 10% by Ms. Zhao Xin, the wife of Mr. Wang.

2. Tianjin Beacon Paint & Coatings Co. Ltd (天津燈塔塗料有限公司) (formerly known as Tianjin Tsinlien Investment & Trade Company (天津津聯投資貿易有限公司)), is a state-owned enterprise established in the PRC with limited liability and is beneficially owned by the Tianjin Municipal Government.

3. Tianjin Gas, a state-owned enterprise established in PRC with limited liability, and beneficially owned by the Tianjin Municipal Government.

4. Ms. Tang Jie is an executive Director.

5. Ms. Liang Jing Qi is a senior management of the Company responsible for the project management department of the Company.

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

During the six months ended 30 June 2005, neither the Company nor its subsidiary 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 subsidiary was a party and in which a director or supervisor of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the period.

COMPETING INTERESTS

As at 30 June 2005, the Directors are not aware of any business or interest of the directors, the initial 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.

SPONSOR'S INTEREST

At 30 June 2005, none of the Company's sponsor, Tai Fook Capital Limited (the "Sponsor"), nor its directors, employees or associates had any interests in the share capital of the Company.

Pursuant to an agreement dated 30 December 2003 entered into between the Company and the Sponsor, the Sponsor will receive usual sponsorship fees for acting as the Company's retained sponsor for the period from 9 January 2004 to 31 December 2006.

CODE ON CORPORATE GOVERNANCE PRACTICES

Save and except the following deviations from the code provisions set out in the Code on Corporate Governance Practice as contained in Appendix 15 to the GEM Listing Rules (the "CCGP"), the Company had, during the period under review, complied with the CCGP:

	Code provisions set out in the CCGP	Reason for deviations
B1	Remuneration committee has not yet been set up by the Company	The Company is now in the progress of forming its remuneration committee and drafting its term of reference

The Board was also in the progress of assessing the effect of the implementation of the CCGP on the Company's operation. Save as disclosed, the Company has met the code provisions set out in the CCGP throughout the six months ended 30 June 2005.

CORPORATE GOVERNANCE

The Company has 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.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 30 June 2005, the Company had adopted a code of conduct (the "Code") regarding securities transactions by Directors 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 also had made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and the Code regarding securities transactions by the Directors.

AUDIT COMMITTEE

An audit committee was established on 3 December 2003 with written terms of reference in compliance with Rules 5.28 to 5.30 of the GEM Listing Rules. The audit committee comprises the three independent non-executive directors, Professor Ma Jun Lu, Mr. Luo Wei Kun and Mr. Chan Shun Kuen. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group.

By order of the board
Tianjin Tianlian Public Utilities Company Limited
Mr. Wang Zhong Sheng
Chairman

Tianjin, PRC, 12 August 2005

As at the date of this announcement, the Board Comprise 4 Executive Directors, namely Mr. Wang Zhong Sheng, Mr. Yang Rui, Ms. Tang Jie, Mr. Fu Shou Gang, 2 Non-executive Directors Mr. Sun Bo Quan and Mr. Gong Jing and 3 Independent Non-executive Directors Mr. Ma Jun Lu, Mr. Luo Wei Kun and Mr. Chan Shun Kuen, Eric.

This announcement will remain on the "Latest company announcement" page of the GEM website for at least 7 days from the date of its publication.