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 3rd Quarterly 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 RMB12,948,000 for the nine months ended 30 September 2005.
- Gross profit of approximately RMB788,000 for the nine months ended 30 September 2005.
- Net loss of approximately RMB13,782,000 for the nine months ended 30 September 2005.

RESULTS

The Board of Directors (the "Board") of Tianjin Tianlian Public Utilities Company Limited (the "Company") presents the unaudited results of the Company for the nine months ended 30 September 2005 together with the unaudited comparative figures for the nine months ended 30 September 2004 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and nine months ended 30 September 2005

		Three months ended 30 September		Nine months ended 30 September	
	Notes	**2005**	2004	**2005**	2004
		RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Unaudited)	*(Unaudited)*	***(Unaudited)***	*(Unaudited)*
Revenue	*4 & 5*	**5,034**	2,032	**12,948**	30,934
Cost of sales		**(4,923)**	(1,543)	**(12,160)**	(7,785)
Gross profit		**111**	489	**788**	23,149
Other operating income		**9**	7	**35**	39
Selling expenses		**(90)**	(8)	**(557)**	(58)
Administrative expenses		**(4,157)**	(2,694)	**(11,379)**	(8,857)
(Loss) profit from operations	*6*	**(4,127)**	(2,206)	**(11,113)**	14,273
Finance costs		**(870)**	(406)	**(2,570)**	(1,174)
(Loss) profit before taxation		**(4,997)**	(2,612)	**(13,683)**	13,099
Taxation charge	*7*	**—**	1,032	**(99)**	(4,322)
Net (loss) profit for the period		**(4,997)**	(1,580)	**(13,782)**	8,777
Attributable to:					
Equity holders of the parent		**(4,868)**	(1,580)	**(13,653)**	8,777
Minority interests		**(129)**	—	**(129)**	—
		(4,997)	(1,580)	**(13,782)**	8,777
(Loss) earnings per share — basic *(RMB cents)*	*9*	**(0.50)**	(0.16)	**(1.39)**	0.89

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 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	–	–	–	–	8,777	8,777	–	8,777
At 30 September 2004	99,500	31,667	4,775	2,387	50,193	188,522	400	188,922
Net loss for the period	–	–	–	–	(3,878)	(3,878)	(400)	(4,278)
Transfer	–	–	445	222	(667)	–	–	–
At 31 December 2004	99,500	31,667	5,220	2,609	45,648	184,644	–	184,644
New subsidiary	–	–	–	–	–	–	500	500
Net loss for the period	–	–	–	–	(13,653)	(13,653)	(129)	(13,782)
At 30 September 2005	99,500	31,667	5,220	2,609	31,995	170,991	371	171,362

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the nine months ended 30 September 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 subsidiaries 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 third quarterly 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 RMB29,169,000 as at 30 September 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 supply business of the Group. The directors expect that the financial position of the Group will be improved after implementing the gas supply development plan. In addition, another substantial shareholder of the Company is currently continuing to provide funds to the Company to meet its current working capital requirements. As of 30 September 2005, the Company has received advances from this substantial shareholder of RMB14,500,000. Furthermore, the Group is in negotiation with its bankers to extend the repayment terms of its current bank loans amounting to RMB55,000,000 for another twelve months from their original due dates. Provided that the gas supply development plan is successfully implemented and the repayment dates of the bank loans are successfully extended, 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 quarterly 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 are summarized as below:

	As at 31 December 2004 *(originally stated)* *RMB'000*	Adjustment *RMB'000*	As at 31 December 2004 *(restated)* *RMB'000*
Balance sheet items			
Property, plant and equipment	180,835	(7,177)	173,658
Prepaid lease payments	—	7,177	7,177
Total effects on assets and liabilities	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 1 (Amendment)	Capital Disclosures
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The fair Value option
HKAS 39 and HKFRS 4 (Amendment)	Financial Guarantee Contracts
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS 7	Financial Instruments: Disclosures
HKFRS-Int 4	Determining whether an Arrangement Contains a Lease
HKFRS-Int 5	Rights to Interests Arising from Decommissing, Restoration and Environmental Rehabilitation Funds
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market, Waste Electrical and Electronic Equipment

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 business divisions is presented below:

	Revenue				Result			
	Three months ended 30 September		Nine months ended 30 September		Three months ended 30 September		Nine months ended 30 September	
	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	**2,125**	1,363	**7,588**	28,599	**811**	1,291	**3,358**	24,982
Sales of gas	**2,733**	638	**4,939**	2,127	**136**	(14)	**(241)**	387
Sales of gas appliances	**176**	31	**421**	208	**74**	(31)	**101**	1
	5,034	2,032	**12,948**	30,934	**1,021**	1,246	**3,218**	25,370
Other operating income					**9**	7	**35**	39
Unallocated expenses:								
– depreciation *(Note)*					**(910)**	(757)	**(2,430)**	(2,221)
– corporate expenses					**(4,247)**	(2,702)	**(11,936)**	(8,915)
(Loss) profit from operations					**(4,127)**	(2,206)	**(11,113)**	14,273
Finance costs					**(870)**	(406)	**(2,570)**	(1,174)
(Loss) profit before taxation					**(4,997)**	(2,612)	**(13,683)**	13,099
Taxation charge					**–**	1,032	**(99)**	(4,322)
Net (Loss) profit for the period					**(4,997)**	(1,580)	**(13,782)**	8,777

Note: The depreciation of property, plant and equipment relating to 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 September		**Nine months ended 30 September**	
	2005	2004	**2005**	2004
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Depreciation and amortisation	**1,408**	1,097	**3,902**	3,187
Operating lease rentals in respect of rented premises	**189**	79	**612**	456
Interest income	**(9)**	(8)	**(32)**	(39)

7. TAXATION CHARGE

	Three months ended 30 September		**Nine months ended 30 September**	
	2005	2004	**2005**	2004
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
The charge comprises:				
PRC income tax	**–**	(1,082)	**–**	4,172
Deferred taxation	**–**	50	**99**	150
	–	(1,032)	**99**	4,322

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 subsidiaries did not have taxable profit for the period.

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

8. DIVIDEND

The directors do not recommend the payment of an dividend for the period (2004: Nil).

9. (LOSS) EARNINGS PER SHARE

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

	Three months ended 30 September		Nine months ended 30 September	
	2005	2004	**2005**	2004
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Net (loss) profit for the period	**(4,997)**	(1,580)	**(13,782)**	8,777
Weighted average number of shares for the purpose of basic (loss) earnings per share	**995,000,000**	995,000,000	**995,000,000**	986,240,876

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. RELATED PARTY TRANSACTIONS

During the period, the following related party transactions took place:

Name of related party	Relationship	Nature of transactions	Nine moths ended 30 September	
			2005	2004
			RMB'000	*RMB'000*
Tianjin Gas Group Co., Ltd.	Shareholder	Purchase of gas *(Note)*	**2,755**	1,144

Note: The purchase prices of these transactions were arrived at by reference to the price set by the relevant commodity price bureau.

BUSINESS REVIEW

For the first nine months of 2005, the Group reported a revenue of approximately RMB12,948,000, representing a decrease of approximately 58% as compared with the first nine months of 2004. The Group's net loss for the first nine months of 2005 amounted to approximately RMB13,782,000.

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 September 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 bank loans and unutilized banking facilities of RMB110 million is provided by Agricultural Bank of China. The Group intends to renew the short-term banking facility 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 September 2005, the Group had a workforce of 147 full-time employees, among which 99% 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 discretionary bonus to eligible employees subject to the Group's operating results and individual performance. The Group also made contributions to medical welfare and retirement funds as well as provided other benefits to all employees.

Subsequent Event

On 11 November, the Group signed a conditional agreement with an independent third party to dispose of the Group's operations in Beiliu, Guangxi, the People's Republic of China. The directors estimate that there will be approximately RMB27,000,000 net cash inflow obtained through this disposal in a short term. The disposal is still subject to the approval from the parties to the agreement and the relevant authorities.

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 its market share. The directors and management of the Company will try their best to bring satisfactory returns to shareholders.

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

- Focus on the balanced development of various gas-related businesses and make efforts to develop the piped gas market, including participating in the urban natural gas pipeline network projects in local areas.

- 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 September, 2005, the interests and short positions of the Directors, Chief Executives and Supervisors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the GEM Listing Rules were as follows:

Long position

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

Name of Director/ Chief Executive/Supervisor	Capacity	Number of Domestic Shares held	Approximate percentage of total issued share capital in the Company
Mr. Wang Zhong Sheng	Held by controlled corporation *(Note)*	222,025,000	22.31%
Ms. Tang Jie	Beneficial owner	41,700,000	4.19%

Note:

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 222,025,000 Domestic Shares of the Company, is owed as to 90% by Mr. Wang Zhong Sheng and as to 10% by Ms. Zhao Xin, the wife of Mr. Wang.

Save as disclosed in this paragraph, as at 30 September, 2005, none of the Directors, Chief Executives and Supervisors of the Company were, under Divisions 7 and 8 of Part XV of the SFO, taken to be interested or deemed to have any other interests of short positions in shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV) of the SFO, that were required to be entered into the register kept by the Company pursuant to section 352 of the SFO or were required to be notified to the Company and the Stock Exchange pursuant to the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS

So far as known to the Directors, as at 30 September 2005, the following, not being a Director, Chief Executive or Supervisor of the Company, have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and required to be entered in the register maintained by the Company pursuant to section 336 of the SFO:

Long position

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

Name of shareholder	Capacity	Number of Domestic Shares held	Approximate percentage of total issued share capital in the Company
Tianjin Beacon Paint & Coatings Co., Ltd *(Note 1)* 天津燈塔塗料有限公司	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	264,360,210	26.57%
Tianjin Leason Investment Group Company Limited	Beneficial owner	222,025,000	22.31%
Ms. Zhao Xin *(Note 2)*	Family	222,025,000	22.31%

Note 1: Tianjin Tianlian Investment & Trade Company Limited changed its name to Tianjin Beacon Paint & 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, an executive director 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.

Save as disclosed above, as at 30 September 2005, the Directors are not aware of any person, not being a Director, Chief Executive or Supervisor, has interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and required to be entered in the register maintained by the Company pursuant to section 336 of the SFO.

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

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

COMPETING INTERESTS

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

COMPLIANCE ADVISER'S INTEREST

The Company and Tai Fook Capital Limited have mutually agreed to terminate their sponsorship agreement with effect from 12 September 2005 and Guotai Junan Capital Limited ("Compliance Adviser") has been appointed as the new compliance adviser to the Company from 13 September 2005.

Pursuant to an agreement dated 13 September 2005 entered into between the Company and the Compliance Adviser, the Compliance Adviser will receive service fees for acting as the Company's retained compliance adviser for the period from 13 September 2005 to 31 December 2006.

Save as disclosed above, as at 30 September 2005, none of the Compliance Adviser, nor its directors, employees or associates had any interests which are required to be notified to the Company pursuant to Rule 6.36 of the GEM Listing Rules.

CORPORATE GOVERNANCE

The Company has complied with the board practices and procedures as set out in Rule 5.34 of the GEM Listing Rules during the period of review.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the nine months ended 30 September 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 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, Eric. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The audit committee has reviewed the draft third quarterly report 2005 and has provided advice and comments thereon.

By order of the board
Tianjin Tianlian Public Utilities Company Limited
Mr. Sun Bo Quan
Chairman

Tianjin, PRC, 11 November 2005

As at the date of this report, 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.