天津天聯公用事業股份有限公司

TIANJIN TIANLIAN PUBLIC UTILITIES COMPANY LIMITED

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

Stock Code: 8290

2008

Third Quarterly Report

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

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

Highlights

- Turnover of approximately RMB88,416,000 for the nine months ended 30 September 2008.

- Gross profit of approximately RMB41,877,000 for the nine months ended 30 September 2008.

- Net profit attributable to equity holders of approximately RMB20,126,000 for the nine months ended 30 September 2008.

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 three months and nine months ended 30 September 2008 together with the unaudited comparative figures for the three months and nine months ended 30 September 2007 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the nine months ended 30 September 2008

	NOTES	Three months ended 30 September 2008 RMB'000 (unaudited)	Three months ended 30 September 2007 RMB'000 (unaudited) (restated)	Nine months ended 30 September 2008 RMB'000 (unaudited)	Nine months ended 30 September 2007 RMB'000 (unaudited) (restated)
Revenue	4 & 5	**36,087**	49,790	**88,416**	101,704
Cost of sales		**(15,441)**	(18,240)	**(46,539)**	(46,113)
Gross profit		**20,646**	31,550	**41,877**	55,591
Other income	6	**4,471**	2,820	**9,036**	3,277
Selling expenses		**(8)**	(20)	**(28)**	(34)
Administrative expenses		**(5,088)**	(3,011)	**(21,061)**	(9,671)
Finance costs	7	**(573)**	(606)	**(1,687)**	(1,804)
Profit before tax	8	**19,448**	30,733	**28,137**	47,359
Income tax expense	9	**(5,424)**	(10,719)	**(8,100)**	(16,497)
Profit for the period		**14,024**	20,014	**20,037**	30,862
Attributable to:					
Equity holders of the Company		**14,113**	20,014	**20,126**	30,862
Minority interests		**(89)**	—	**(89)**	—
		14,024	20,014	**20,037**	30,862
Earnings per share — basic (RMB cent)	3 & 11	**1.2**	2.0	**1.8**	3.1

NOTES TO THE CONDENSED CONSOLIDATED INCOME STATEMENTS

For the nine months ended 30 September 2008

1. GENERAL

The Company is a foreign invested joint stock limited company located at Weishan Road, Chang Qing Science, Industry and Trade Park, Jinnan District, Tianjin, the People's Republic of China (the "PRC"). The Company's overseas-listed foreign shares ("H Shares") are listed on the Growth Enterprises Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activities of the Company are the operation and management of gas pipeline infrastructure and the sale and distribution of piped gas. The subsidiaries are inactive during the period.

2. BASIS OF PREPARATION

The condensed consolidated income statement has 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 of The Stock Exchange of Hong Kong Limited (the GEM Rules).

The amounts included in this interim financial information has been computed in accordance with Hong Kong Financial Report Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants applicable to interim periods. However, it does not contain sufficient information to constitute an interim financial report as defined in HKFRS.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated income statement have been prepared on the historical cost basis.

The accounting policies used in the condensed consolidated income statement are consistent with those followed in the preparation of the annual consolidated financial statements for the year ended 31 December 2007 except as described below.

In the current period, the Group has applied, for the first time, the following amendments and new interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning on 1 January 2008.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangement
HK(IFRIC)-Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

The adoption of these new interpretations, other than HK (IFRIC) — Int 12, which are detailed as below, had no material effect on the results or financial position for the current or prior accounting periods.

Service concession arrangements

In the current period, the Group has applied HK(IFRIC) — Int 12 Service Concession Arrangements which is effective for annual periods beginning on or after 1 January 2008.

The Group as gas supply operator has access to operate the gas pipeline infrastructure to provide public service on behalf of the grantor in accordance with the terms specified in the service concession arrangement contract and also carry out gas connection work to the public.

HK(IFRIC) — Int 12 "Service Concession Arrangements" provides guidance on the accounting by the operator of a service concession arrangement which involved the provision of public sector services.

In prior periods, the Group's gas pipeline infrastructure, which includes construction costs incurred on gas pipeline infrastructure work, were recorded as property, plant and equipment and were stated at cost less accumulated depreciation and impairment losses. Depreciation of the gas pipeline infrastructure was calculated to write off their cost over their expected useful lives or the remaining concession period, whichever was shorter, commencing from the date of commencement of commercial operation of the gas pipelines infrastructure, on a straight-line basis.

In accordance with HK (IFRIC) — Int 12, infrastructure within the scope of this interpretation is not recognized as property, plant and equipment of the operator as the contractual service arrangement does not convey the right to control the use of the public service infrastructure to the operator. If the operator provides construction and upgrade services of the infrastructure, this interpretation requires the operator to account for its revenue and costs in accordance with HKAS 11 "Construction Contracts" for the construction and upgrade services of the infrastructure and to account for the fair value of the consideration received and receivable for the construction and upgrade services as an intangible asset in accordance with HKAS 38 "Intangible Assets" to the extent that the operator receives a right (a licence) to charge users of the public service, which amounts are contingent on the extent that the public uses the service. In addition, the operator accounts for the services in relation to the operation of the gas pipeline infrastructure in accordance with HKAS 18 "Revenue".

For the annual period beginning 1 January 2008, the Group has applied this interpretation retrospectively and the financial impact on application of this interpretation is summarized below.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Summary of the Effects of the Changes in Accounting Policies

The effect of changes in accounting policies described above on the results for the current and prior period by line items presented according to their function are as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Increase in revenue on construction	**108**	1,821	**5,570**	4,197
Increase in construction cost	**(98)**	(1,655)	**(5,064)**	(3,815)
Decrease in depreciation expense	**1,336**	1,343	**3,939**	3,984
Increase in amortisation expense	**(1,340)**	(1,343)	**(3,946)**	(3,984)
Increase in deferred tax expense	**(2)**	(41)	**(125)**	(95)
Increase in profit for the period	**4**	125	**374**	287

The effects of the application of the new interpretation on the Group's basic earnings per share for the prior period:

Impact on basic earnings per share

	Three months ended 30 September	Nine months ended 30 September
	2007	**2007**
	RMB cent	RMB cent
Reported figures before adjustments	2.0	3.1
Adjustments arising from changes in accounting policies	—	—
Restated	2.0	3.1

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

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

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellation[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK (IFRIC)-Int 13	Customer Loyalty Programmes[3]
HK (IFRIC)-Int 15	Agreements for the Construction of Real Estate[1]
HK (IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation[4]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 July 2009
[3] Effective for annual periods beginning on or after 1 July 2008
[4] Effective for annual periods beginning on or after 1 October 2008

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period, beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new or revised standards and interpretations will have no material impact on the results and the financial position of the Group.

4. REVENUE

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

5. SEGMENT INFORMATION

Business segments

For management purposes, the Group was divided into three divisions during the financial year ended 31 December 2007, namely gas connection, sales of piped gas and sales of gas appliances. These divisions were the basis on which the Group reports its primary segment information.

Due to the adoption of HK(IFRIC) — Int 12 in the current financial period, the Group has further included an additional division to account for income from construction of gas pipeline infrastructure.

Segment information about these businesses is presented below:

Three-months ended 30 September 2008

	Gas Connection RMB'000	Construction of gas pipeline infrastructure RMB'000	Sales of piped gas RMB'000	Sales of gas appliances RMB'000	Consolidated RMB'000
Revenue	28,542	108	7,020	417	36,087
Segment result before depreciation/amortisation	21,167	10	1,050	59	22,286
Depreciation/amortisation	—	—	(1,533)	—	(1,533)
Segment result	21,167	10	(483)	59	20,753
Unallocated other income					4,471
Unallocated corporate expenses					(5,203)
Finance costs					(573)
Profit before tax					19,448
Income tax expense					(5,424)
Profit for the period					14,024

5. SEGMENT INFORMATION (Continued)

Nine-months ended 30 September 2008

	Gas Connection RMB'000	Construction of gas pipeline infrastructure RMB'000	Sales of piped gas RMB'000	Sales of gas appliances RMB'000	Consolidated RMB'000
Revenue	57,070	5,570	24,832	944	88,416
Segment result before depreciation/amortisation	42,285	506	3,835	98	46,724
Depreciation/amortisation	—	—	(4,526)	—	(4,526)
Segment result	42,285	506	(691)	98	42,198
Unallocated other income					9,036
Unallocated corporate expenses					(21,410)
Finance costs					(1,687)
Profit before tax					28,137
Income tax expense					(8,100)
Profit for the period					20,037

Three-months ended 30 September 2007 (restated)

	Gas Connection RMB'000	Construction of gas pipeline infrastructure RMB'000	Sales of piped gas RMB'000	Sales of gas appliances RMB'000	Consolidated RMB'000
Revenue	40,406	1,821	7,540	23	49,790
Segment result before depreciation/amortisation	31,925	166	1,099	6	33,196
Depreciation/amortisation	—	—	(1,544)	—	(1,544)
Segment result	31,925	166	(445)	6	31,652
Unallocated other income					2,820
Unallocated corporate expenses					(3,133)
Finance costs					(606)
Profit before tax					30,733
Income tax expense					(10,719)
Profit for the period					20,014

5. SEGMENT INFORMATION (Continued)

Nine-months ended 30 September 2007 (restated)

	Gas Connection RMB'000	Construction of gas pipeline infrastructure RMB'000	Sales of piped gas RMB'000	Sales of gas appliances RMB'000	Consolidated RMB'000
Revenue	71,737	4,197	25,413	357	101,704
Segment result before depreciation/amortisation	55,532	382	4,487	78	60,479
Depreciation/amortisation	—	—	(4,582)	—	(4,582)
Segment result	55,532	382	(95)	78	55,897
Unallocated other income					3,277
Unallocated corporate expenses					(10,011)
Finance costs					(1,804)
Profit before tax					47,359
Income tax expense					(16,497)
Profit for the period					30,862

For the three months ended 30 September 2008 and nine months ended 30 September 2008, the Group had carried out gas connection contract work with revenue of approximately RMB20 million and RMB30 million respectively, (three months ended 30 September 2007 and nine months ended 30 September 2007: RMB25 million and RMB38 million respectively) in certain areas in Tianjin, in which the gas supply is being separately provided by 天津市燃氣集團有限公司, a substantial shareholder of the Company, to its own customers.

6. OTHER INCOME

Included in other income, for the three months ended 30 September 2008 and nine months ended 30 September 2008, were government subsidies of RMB3,345,000 and RMB7,468,000 respectively, (three months ended 30 September 2007 and nine months ended 30 September 2007: RMB2,732,000 and RMB3,052,000 respectively), which represent the subsidies from the government for encouraging the Group to do business in Jinnan development zone.

7. FINANCE COSTS

	Three months ended 30 September		Nine months ended 30 September	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Interest on bank borrowings wholly repayable within five years	**(573)**	(606)	**(1,687)**	(1,804)

8. PROFIT BEFORE TAX

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

	Three months ended 30 September		Nine months ended 30 September	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(restated)		(restated)
Depreciation of property, plant and equipment	**545**	645	**1,754**	2,034
Amortisation of intangible assets included in cost of sales	**1,341**	1,343	**3,947**	3,984
Amortisation of prepaid lease payments included in administrative expenses	**35**	36	**106**	110
Operating lease rentals	**131**	146	**397**	443
Allowances for bad and doubtful debts in respect of:				
— other receivables	**270**	205	**810**	837
— trade receivables	**1,061**	—	**1,061**	827
Loss on disposal of property, plant and equipment	**—**	—	**21**	—
Exchange loss included in administrative expenses	**777**	—	**7,568**	1
Bank interest income	**(772)**	(87)	**(1,193)**	(224)

9. INCOME TAX EXPENSE

	Three months ended 30 September 2008 RMB'000	2007 RMB'000 (restated)	Nine months ended 30 September 2008 RMB'000	2007 RMB'000 (restated)
The charge comprises:				
Current PRC enterprise income tax	**5,402**	10,684	**7,994**	16,426
Deferred taxation	**22**	35	**106**	71
	5,424	10,719	**8,100**	16,497

On 16 March 2007, the PRC promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations impose a single income tax rate of 25% for all the enterprises from 1 January 2008.

The Company is subject to the PRC Enterprise Income Tax rate of 25% for both three months and nine months ended 30 September 2008 (three months and nine months ended 30 September 2007: 33%).

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

10. DIVIDEND

The directors do not recommend the payment of any dividend for either of the periods in 2008 (three months and nine months ended 30 September 2007: Nil).

11. EARNINGS PER SHARE

The calculation of the basic earnings per share for the three months ended 30 September 2008 and nine months ended 30 September 2008 are based on the profit attributable to equity holders of the parent for the period of RMB14,113,000 and RMB20,126,000, respectively, (profit attributable to equity holders of the parent for three months ended 30 September 2007 and nine months ended 30 September 2007: RMB20,014,000 and RMB30,862,000 respectively) and the weighted average number of 1,149,600,000 shares and 1,108,975,182 shares (three months ended 30 September 2007 and nine months ended 30 September 2007: 995,000,000 shares) in issue during three months ended 30 September 2008 and nine months period ended 30 September 2008 respectively.

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.

12. SHARE PREMIUM AND RESERVES

	Attribute to equity holders of the Company							
	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000	Enterprise expansion fund RMB'000	Accumulated profit RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
At 1 January 2007 (audited)	99,500	31,667	10,837	—	73,160	215,164	—	215,164
Profit for the period and total recognized income for the period	—	—	—	—	30,862	30,862	—	30,862
At 30 September 2007 (restated)	99,500	31,667	10,837	—	104,022	246,026	—	246,026
Profit for the period and total recognized income for the period	—	—	—	—	31,473	31,473	—	31,473
At 31 December 2007 (restated)	99,500	31,667	10,837	—	135,495	277,499	—	277,499
Profit for the period and total recognized income for the period	—	—	—	—	20,126	20,126	(89)	20,037
Issue of H Shares (note)	15,460	249,464	—	—	—	264,924	—	264,924
Shares issue expenses	—	(13,459)	—	—	—	(13,459)	—	(13,459)
Appropriation	—	—	6,143	3,072	(9,215)	—	—	—
Capital contributed by minority shareholders of a subsidiary	—	—	—	—	—	—	7,840	7,840
At 30 September 2008 (unaudited)	114,960	267,672	16,980	3,072	146,406	549,090	7,751	556,841

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

13. RELATED PARTY TRANSACTIONS

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

Name of related party	Nature of transactions	Three months ended 30 September 2008 RMB'000	Three months ended 30 September 2007 RMB'000	Nine months ended 30 September 2008 RMB'000	Nine months ended 30 September 2007 RMB'000
天津市燃氣集團有限公司 (Note i)	Purchase of gas	**5,776**	6,118	**20,391**	20,395
	Entrusted management fee (Note ii)	**–**	–	**–**	71
天津市煤氣工程設計院 (Note iii)	Construction design fee	**–**	–	**–**	300

Notes:

(i) 天津市燃氣集團有限公司 is the substantial shareholder of the Company.

(ii) On 27 September 2006, the Company entered into an agreement with 天津市燃氣集團有限公司, whereby the Company agreed to acquire certain plant and equipment located in Xiqing, Tianjin (the "Xiqing Assets") from 天津市燃氣集團有限公司 at a consideration of RMB7,194,000 (the "Asset Transfer Agreement"). Though the transfer of Xiqing Assets had already been completed in early October 2006, the Company decided to entrust 天津市燃氣集團有限公司 to manage the Xiqing Assets from the completion date of the Asset Transfer Agreement until 31 January 2007 pursuant to the provision stated in the Asset Transfer Agreement, with a view to ensure normal operation of the Xiqing Assets after the transfer. The Company agreed to pay management fee of RMB71,000 per month to 天津市燃氣集團有限公司.

(iii) 天津市煤氣工程設計院 is a wholly owned subsidiary of 天津市燃氣集團有限公司.

(b) Material transactions with other state-controlled entities in the PRC

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

13. RELATED PARTY TRANSACTIONS (Continued)

(b) *Material transactions with other state-controlled entities in the PRC (Continued)*

While the directors of the Company consider State-Owned Enterprises are independent third parties so far as the Group's business transactions with them are concerned, for the purpose of this report, the Group has indentified the nature and quantified the amounts of its material transactions with State-Owned Enterprises, in addition to the transactions referred to in note 13 (a) above, during the period as follows:

Material transactions with other State-Owned Enterprises are as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Sales	**4,559**	5	**12,873**	2,799
Purchase of service	**4,525**	8,323	**11,249**	13,407
Interest expense	**573**	606	**1,687**	1,804

Except as disclosed above, the directors are of the opinion that transactions with other state-controlled entities are not significant to the Group's operations.

(c) *Guarantee*

At 30 September 2008 and 31 December 2007, the short term bank loans of RMB30,000,000 were guaranteed by 天津市燃氣集團有限公司.

(d) *Compensation of key management personnel*

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

	Three months ended 30 September		Nine months ended 30 September	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Short-term benefit	**325**	305	**973**	915
Post employment benefit	**3**	7	**10**	15
	328	312	**983**	930

14. POST BALANCE SHEET EVENT

As announced in the circular dated 12 September 2008, the Group would acquire certain assets from its shareholder, 天津市燃氣集團有限公司 at a consideration of approximately RMB 89.5M. This constituted a major and connected transaction and this transaction was approved by the shareholders at the extraordinary general meeting convened on 29 October 2008.

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.

In order to further expand the Group's business, the Company has entered into an entrusted construction agreement with 天津市燃氣集團有限公司 (Tianjin Gas Group Company Limited*) ("Tianjin Gas") on 6 October 2008 to entrust Tianjin Gas to construct two projects, namely the Beihuan Pipeline Project and the Gangnan Distribution Project in relation to (among others) building of new gas pipelines connecting south of Tianjin City to Beiqi Yuan ("Entrusted Construction"). After completion of the Entrusted Construction, the Company will collect gas supply fees according to the gas volume supplied through the new pipelines to be built. The increase of gas supply capacity of the Company would enhance profitability of the Company. Please refer to the "Proposed Entrusted Construction" below for more details.

Business Review

For the nine months ended 30 September 2008, the Group reported a revenue of approximately RMB88,416,000, representing an decrease of approximately 13% as compared with the corresponding period in the previous year. The net profit attributable to equity holders for the nine months ended 30 September 2008 amounted to approximately RMB20,126,000 (nine months ended 30 September 2007: approximately RMB30,862,000).

SEGMENTAL INFORMATION ANALYSIS

During the period, the Group has continued to implement its formulated development strategies to provide piped gas connection to the users in the Group's operational locations in Tianjin City and Jining, Inner Mongolia. Gas connection revenue is the major source of income for the Group, which is followed by sales of gas, construction of gas pipeline infrastructure and sales of gas appliances. The Group will further expand the operation in these three areas, in order to attain its strategic objectives for this year.

FINANCIAL RESOURCES

The Group is generally funded by equity financing and bank borrowings. As at 30 September 2008, the Group had bank borrowings of RMB30,000,000 from Industrial Bank Co., Ltd.. The Group mostly uses Renminbi in its operation and it had not used any financial instrument for currency hedging purposes, as it considers that its exposure to fluctuations in exchange rates is only minimal.

CONTINGENT LIABILITIES

As at 30 September 2008, the Group had no material contingent liabilities or guarantees.

PROSPECTS

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

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

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

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

- Continue to advance the research, evaluation, negotiation and other work related to existing projects, and ensure the fulfillment of the business objectives.

- Continue to strengthen the financial management of the Group. The Group also aims to continuously lower the operating costs and maximize the revenue from the operating projects.

- Further its efforts in personnel training and recruitment, facilitate the smooth operations and developments of the Group, develop positive corporate culture, and upgrade the management of the Company.

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

Placing of H Shares

On 27 February 2008, the Company has entered into a placing agreement (the "Placing Agreement") with Kingsway Financial Services Group Limited in relation to the placing of an aggregate of 170,060,000 H Shares ("Placing Shares") at a placing price of HK$1.90 per Placing Shares. The Placing was completed on 13 March 2008.

For details, please refer to the paragraph headed "Purchase, Sale or Redemption of the Company's Listed Securities" below and the announcements of the Company dated 29 February 2008 and 13 March 2008 respectively.

Approval of Acquisition of Assets

On 6 June 2008, the Company entered into an asset transfer agreement ("Asset Transfer Agreement") with Tianjin Gas, whereby the Company agreed to acquire, among others, certain pipe network, machinery equipment and ancillary facilities of pipe network from Tianjin Gas at a consideration of RMB89,516,500 (approximately HK$100,580,337).

The Asset Transfer Agreement was approved by the shareholders at the extraordinary meeting of the Company held on 29 October 2008.

For details, please refer to the Company's announcements dated 11 June 2008 and 29 October 2008 and the Company's circular dated 12 September 2008.

Transfer of Listing

The shareholders at the extraordinary general meeting (the "EGM") and separate class meetings (the "Class Meetings") held on 29 October 2008 approved the special resolutions, among other things, (i) the making of the relevant applications for the proposed transfer of listing of H Shares from GEM to the main board of the Stock Exchange ("Transfer of Listing"); (ii) the Transfer of Listing; (iii) the adoption of the new articles of association of the Company incorporating the relevant amendments for the purpose of the application for the Transfer of Listing (on a conditional basis); and (iv) to authorise the Directors to take such steps as they consider necessary, desirable and expedient to carry out the above.

As at the date of this report, the Transfer of Listing has not been completed.

For details, please refer to the Company's announcements dated 11 June 2008 and 29 October 2008 and the Company's circular dated 12 September 2008.

Subsequent Event

PROPOSED ENTRUSTED CONSTRUCTION

On 6 October 2008, the Company entered into a conditional entrusted construction agreement ("Entrusted Construction Agreement") with Tianjin Gas, pursuant to which the Company entrusted Tianjin Gas and Tianjin Gas agreed to undertake to construct two projects, namely the Beihuan Pipeline Project and the Gangnan Distribution Project ("Entrusted Construction") in relation to (among others) building of new gas pipelines. The proposed maximum amount of the total consideration for the Entrusted Construction will not exceed RMB224,500,700 (approximately HK$255,404,664).

As the asset ratio (as defined in the GEM Listing Rules) of the transactions contemplated under the Entrusted Construction was higher than 25% but lower than 100%, the Entrusted Construction constituted a major transaction under the GEM Listing Rules. As Tianjin Gas is one of the promoters and a substantial shareholder of the Company, the Entrusted Construction also constituted a connected transaction of the Company subject to the approval of independent shareholders under the GEM Listing Rules.

The Board will convene the necessary extraordinary general meeting for the independent shareholders to consider the approval of the Entrusted Construction as soon as possible.

For details, please refer to the Company's announcement dated 8 October 2008.

Directors', Chief Executives' and Supervisors' Interests in Securities

As at 30 September 2008, the interests and short positions of the Directors, chief executives and supervisors of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the required standard of dealings by Directors and Supervisors of the Company as referred to in Rule 5.46 of the GEM Listing Rules to be notified to the Company and the Stock Exchange were as follows:

Long position

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

Name of Director/ Supervisor	Capacity	Number of Domestic Shares held	Approximate percentage of interests in the Company/ Domestic Shares of the Company
Ms. Tang Jie	Beneficial owner	41,700,000	3.63%/6.41%
Mr. Bai Shao Liang *(please see Note 2 under the section "Substantial Shareholders")*	Held by controlled corporation	235,925,000	20.52%/36.32%

Save as disclosed in the above paragraph, as at 30 September 2008, none of the Directors, chief executives and supervisors of the Company had interest or short positions in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the required standard of dealings by Directors and supervisors of the Company as referred to in Rule 5.46 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

Substantial Shareholders

So far as known to the Directors, as at 30 September 2008, the following, not being a Director, chief executive or supervisor of the Company, have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and required to be entered in the register maintained by the Company pursuant to section 336 of the SFO:

Long position

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

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

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

Note 2: As at 30 September 2008, Tianjin Wanshun Business Development Company Limited ("Wanshun Business Development") holds 80% interest in Tianjin Wanshun Real Estate Company Limited ("Wanshun Real Estate"). Mr. Bai Shao Liang holds 34.40% and 20% interests in Wanshun Business Development and Wanshun Real Estate respectively and is the sole executive director of Wanshun Real Estate. Ms. Li Sha is the wife of Mr. Bai Shao Liang. Mr. Bai Shao Peng holds 65.60% interests in Wanshun Business Development. Ms. Zhang Xiu Ying is the wife of Mr. Bai Shao Peng. Under the SFO, Wanshun Business Development, Mr. Bai Shao Liang, Ms. Li Sha, Mr. Bai Shao Peng and Ms. Zhang Xiu Ying are taken to be interested in all the shares of the Company held by Wanshun Real Estate.

Long position

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

Name of shareholder	Capacity	Number of H Shares held	Approximate percentage of interests in the Company/ H Shares of the Company
Liu Hei Wan	Interests held jointly with another person (note 1)	14,500,000	1.26%/2.89%
	Held by controlled corporation (note 2)	30,000,000	2.60%/5.99%
Law Suet Yi	Interests held jointly with another person (note 1)	14,500,000	1.26%/2.89%
	Interest of spouse (note 3)	30,000,000	2.60%/5.99%
The Waterfront Development Group Limited	Beneficial owner (note 2)	30,000,000	2.60%/5.99%
Martin Currie (Holdings) Limited	Held by controlled corporation (note 4)	42,130,000	3.66%/8.42%

Notes:

1. As at 30 September 2008, 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 18,130,000 Shares and the 24,000,000 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 September 2008, the Directors are not aware of any person, not being a Director, chief executive or supervisor of the Company, have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and required to be entered in the register maintained by the Company pursuant to section 336 of the SFO.

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

On 27 February 2008, the Company entered into the Placing Agreement with Kingsway Financial Services Group Limited in relation to the placing of an aggregate of 170,060,000 Placing Shares at a placing price of HK$1.90 per Placing Share on a best effort basis to not less than six independent professional, institutional and/or individual investors.

The Placing Shares were placed at a placing price of HK$1.90 per Placing Share, (exclusive of stamp duty (if any), brokerage (if any), Stock Exchange trading fees and SFC transaction levy) which represents:

(i) a discount of approximately 7.77% to the closing price of HK$2.06 per H Share as quoted on the Stock Exchange on 27 February 2008, being the last full trading day immediately before the signing of the Placing Agreement;

(ii) a discount of approximately 4.71% to the average of the closing prices of HK$1.994 per H Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 27 February 2008;

(iii) a discount of approximately 4.52% to the average of the closing prices of HK$1.99 per H Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including 27 February 2008; and

(iv) a premium of approximately 169.53% over net asset value per H Share of approximately RMB0.684 as at 30 June 2007 as shown or derived from the unaudited consolidated balance sheet of the Group made up to 30 June 2007.

The Placing Shares comprise of (1) 154,600,000 new shares of the Company ("New Shares") allotted and issued by the Company and (2) an aggregate of 15,460,000 H shares of the Company ("Sale Shares") converted from the same number of state-owned domestic shares of the Company transferred from 天津燈塔塗料有限公司 (Tianjin Beacon Coatings Co., Ltd) and 天津市燃氣集團有限公司 (Tianjin Gas Group Company Limited) to the 全國社會保障基金理事會 (National Social Security Fund Council of the PRC). The Placing Shares represent approximately 51.53% and 17.09%, respectively, of the issued H share capital and the registered capital of the Company prior to the completion of the Placing and approximately 34.01% and 14.79%, respectively, of the issued H share capital and the registered capital of the Company as enlarged by the issue of the New Shares and the conversion of the Sale Shares. The Directors consider that the placing will enable the Group to raise further equity capital and strengthen the capital base of the Company. The net proceeds of the placing of the New Shares were approximately HK$280 million (representing a net placing price of approximately HK$1.81 per New Share). The entire net proceeds from the placing of the Sale Shares would be remitted to the Ministry of Finance of the PRC. The Company intends to use the net proceeds from the placing of the New Shares for the construction and investment in gas pipeline infrastructure, acquisition of assets and working capital. The placing of the Placing Shares was completed on 13 March 2008.

Save as disclosed above, during the nine months ended 30 September 2008, 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 subsidiary was a party and in which a Director or supervisor of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period under review or at any time during the period.

Competing Interests

As at 30 September 2008, 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.

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 nine months ended 30 September 2008, the Company had complied with the Code on Corporate Governance Practice set out in Appendix 15 to the GEM Listing Rules.

Arrangements to Purchase Shares or Debentures

At no time during the period under review was the Company or its subsidiary a party to any arrangements to enable the Directors and supervisors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Code of Conduct Regarding Securities Transactions by Directors

During the nine months ended 30 September 2008, the Company had adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry with all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors.

Audit Committee

The Company established an audit committee on 3 December 2003 with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the audit committee are to review and to provide supervision over the financial reporting process and internal control system of the Group. The audit committee comprises the three independent non-executive directors, Professor Zhang Yu Li, Mr. Luo Wei Kun and Mr. Chan Shun Kuen. The Audit Committee has reviewed the report and the results for the period.

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

Tianjin, PRC, 13 November 2008