



# 2009

## THIRD QUARTERLY REPORT



**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

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

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

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

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*This report, for which the directors (the “Directors”) of Tianjin Tianlian Public Utilities Company Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange 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 RMB200,911,000 for the nine months ended 30 September 2009.
- Gross profit of approximately RMB47,045,000 for the nine months ended 30 September 2009.
- Net profit attributable to equity holders of approximately RMB30,537,000 for the nine months ended 30 September 2009.

## 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 2009 together with the unaudited comparative figures for the three months and nine months ended 30 September 2008 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2009

	NOTES	Three months ended		Nine months ended	
		30 September 2009 RMB'000 (unaudited)	30 September 2008 RMB'000 (unaudited)	30 September 2009 RMB'000 (unaudited)	30 September 2008 RMB'000 (unaudited)
Revenue	4	64,228	36,087	200,911	88,416
Cost of sales		(52,431)	(15,441)	(153,866)	(46,539)
Gross profit		11,797	20,646	47,045	41,877
Other income		1,376	4,471	6,807	9,036
Selling expenses		(7)	(8)	(20)	(28)
Administrative expenses		(2,947)	(5,088)	(10,598)	(21,061)
Finance costs		(544)	(573)	(1,551)	(1,687)
Share of result of an associate		211	–	287	–
Profit before tax	5	9,886	19,448	41,970	28,137
Income tax expense	6	(2,956)	(5,424)	(11,433)	(8,100)
Profit for the period and total comprehensive income for the period		6,930	14,024	30,537	20,037
Attributable to:					
Owners of the Company		6,930	14,113	30,537	20,126
Minority interests		–	(89)	–	(89)
		6,930	14,024	30,537	20,037
Earnings per share					
– basic (RMB cent)	8	0.60	1.20	2.66	1.80



# NOTES TO THE CONDENSED CONSOLIDATED INCOME STATEMENTS

*For the nine months ended 30 September 2009*

## 1. GENERAL

The Company was established at Weishan Road, Chang Qing Science, Industry and Trade Park, Jinnan District, Tianjin, the People's Republic of China (the "PRC") as a joint stock limited company. The Company's H Shares were listed on the Growth Enterprises Market (the "GEM Board") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 9 January 2004. In June 2007, the Company transformed to a foreign invested joint stock limited company.

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

## 2. BASIS OF PREPARATION

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES

The interim financial information has been prepared under the historical cost convention.

The accounting policies adopted are consistent with those followed in the preparation of the Group's consolidate financial statements for the year ended 31 December 2008.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations issued by the HKICPA ("new and revised HKFRSs"). The Group has adopted HKAS 1 (as revised in 2007) Presentation of Financial Statements and HKFRS 8 Operating Segments since 1 January 2009, as described in the Group's half-year interim report for the six months ended 30 June 2009. The adoption of these new or revised HKFRSs have had no impact on the interim financial information of the Group.

### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008 <sup>1</sup>
HKFRSs (Amendments)	Improvements to HKFRSs 2009 <sup>2</sup>
HKAS 24 (Revised)	Related Party Disclosures <sup>3</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>1</sup>
HKAS 32 (Amendment)	Classification of Rights Issues <sup>4</sup>
HKAS 39 (Amendment)	Eligible Hedged Items <sup>1</sup>
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters <sup>5</sup>
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions <sup>5</sup>
HKFRS 3 (Revised)	Business Combinations <sup>1</sup>
HK(IFRIC) — INT 17	Distributions of Non-cash Assets to Owners <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2009

<sup>2</sup> Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2011

<sup>4</sup> Effective for annual periods beginning on or after 1 February 2010

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2010

\* IFRIC represents the International Financial Reporting Interpretations Committee.

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition dates are on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the interim financial information of the Group.

### 4. REVENUE

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

5. **PROFIT BEFORE TAX**

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

	Three months ended 30 September		Nine months ended 30 September	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Depreciation and amortisation	<b>3,759</b>	1,886	<b>10,161</b>	5,701
Amortisation of prepaid lease payments included in administrative expenses	<b>33</b>	35	<b>100</b>	106
Operating lease rentals in respect of rented premises	<b>132</b>	131	<b>388</b>	397
Allowances for bad and doubtful debts in respect of trade and other receivables	—	1,331	—	1,871
Loss on disposal of property, plant and equipment	—	—	—	21
Exchange loss (included in administrative expenses)	<b>6</b>	777	<b>268</b>	7,568
Share of taxation attribute to an associate	<b>110</b>	—	<b>135</b>	—
Bank interest income	<b>(96)</b>	(772)	<b>(391)</b>	(1,193)

6. **INCOME TAX EXPENSE**

	Three months ended 30 September		Nine months ended 30 September	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
The charge comprises:				
Current PRC enterprise income tax	<b>2,939</b>	5,402	<b>11,328</b>	7,994
Deferred taxation	<b>17</b>	22	<b>105</b>	106
	<b>2,956</b>	5,424	<b>11,433</b>	8,100

The Company and a subsidiary are subject to the PRC Enterprise Income Tax rate of 25% for both periods of three and nine months ended 30 September 2009 (three and nine months ended 30 September 2008: 25%).

One of the subsidiaries did not have taxable profit for either period in 2009 and 2008.

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

## 7. DIVIDEND

	Three months ended 30 September		Nine months ended 30 September	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Final dividend of RMB0.015 cent per share for the year ended 31 December 2008 recognised as distribution during the interim period (2008: Nil)	17,244	—	17,244	—

The directors do not recommend the payment of a dividend for either of the periods for the three and nine months ended 30 September 2009 (three months and nine months ended 30 September 2008: Nil).

## 8. EARNINGS PER SHARE

The calculation of the basic earnings per share for the three months ended 30 September 2009 and nine months ended 30 September 2009 are based on the profit attributable to owners of the Company for the period of RMB6,930,000 and RMB30,537,000 (profit attributable to owners of the Company for three months ended 30 September 2008 and nine months ended 30 September 2008: RMB14,113,000 and RMB20,126,000 respectively) respectively and the number of 1,149,600,000 shares (three months ended 30 September 2008 and nine months ended 30 September 2008: number of 1,149,600,000 shares and weighted average number of 1,108,975,182 shares respectively) in issue during the periods.

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



	Attributable to owners of the Company							Total
	Share capital	Share premium	Statutory surplus reserve	Enterprise expansion fund	Accumulated profits	Total	Minority interests	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2008 (audited)	99,500	31,667	10,837	–	135,495	277,499	–	277,499
Profit for the period and total comprehensive income for the period	–	–	–	–	20,126	20,126	(89)	20,037
Capital contributed from minority shareholders of a subsidiary	–	–	–	–	–	–	7,840	7,840
Issue of H Shares (note i)	15,460	249,464	–	–	–	264,924	–	264,924
Shares issue expenses	–	(13,459)	–	–	–	(13,459)	–	(13,459)
Appropriation	–	–	6,143	3,071	(9,214)	–	–	–
At 30 September 2008 (unaudited)	114,960	267,672	16,980	3,071	146,407	549,090	7,751	556,841
Profit for the period and total comprehensive income for the period	–	–	–	–	40,349	40,349	(46)	40,303
Released on disposal of a subsidiary	–	–	–	–	–	–	(7,705)	(7,705)
At 31 December 2008 (audited)	114,960	267,672	16,980	3,071	186,756	589,439	–	589,439
Profit for the period and total comprehensive income for the period	–	–	–	–	30,537	30,537	–	30,537
2008 final dividend paid	–	–	–	–	(17,244)	(17,244)	–	(17,244)
Appropriation	–	–	6,032	3,016	(9,048)	–	–	–
At 30 September 2009 (unaudited)	114,960	267,672	23,012	6,087	191,001	602,732	–	602,732

## Note:

- (i) On 3 February 2008, the Company obtained 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 GEM Board of 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.

## 10. 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		Nine months ended 30 September	
		2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
天津市燃氣集團有限公司 ("Tianjin Gas")	Purchase of gas	40,664	5,776	120,785	20,391

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

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

The Group operates in an economic environment currently dominated by enterprises directly or indirectly owned or controlled by the PRC government. In addition, the Group is an associate of Tianjin Gas which is controlled by the PRC government. Apart from the transactions with Tianjin Gas, during the period, the Group had material transactions with other state-owned enterprises (these enterprises other than Tianjin Gas are hereinafter collectively referred to as "State-Owned Enterprises") in its ordinary and usual course of business.

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 identified the nature and quantified the amounts of its material transactions with State-Owned Enterprises, in addition to the transactions referred to in note 10 (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	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Gas connection contract revenue	7,940	4,559	10,488	12,873
Gas connection contract cost	4,744	4,525	11,305	11,249
Interest expense	544	573	1,551	1,687

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.

10. RELATED PARTY TRANSACTIONS (continued)

(c) *Entrusted construction agreement*

Pursuant to the entrusted construction agreement dated 6 October 2008 entered into between the Company and Tianjin Gas, in relation to the entrustment of Tianjin Gas for the construction of two pipeline projects in Tianjin, with total consideration not exceeding RMB224,500,700, this transaction has been approved by the shareholders in March 2009. The total amount paid to Tianjin Gas during the nine months ended 30 September 2009 amounted to RMB130,777,000. At 30 September 2009, construction of one of the pipeline projects has been completed.

(d) *Guarantee*

At 31 December 2008, the short term bank loan of RMB 30,000,000 was guaranteed by 天津市燃氣集團有限公司. This short term bank loan was repaid during the period ended 30 September 2009.

(e) *Compensation of key management personnel*

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

	Three months ended 30 September		Nine months ended 30 September	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Short-term benefit	351	325	1,042	973
Post employment benefit	3	3	11	10
	<b>354</b>	328	<b>1,053</b>	983

(f) *Asset acquisition agreement*

On 16 September 2009, the Company entered into the asset acquisition agreement with 天津市燃氣集團有限公司, pursuant to which the Company conditionally agreed to acquire from Tianjin Gas part of the tangible assets and gas ancillary facilities held by the Hedong District Sales Offices and the Heping District Sales offices of both the Transmission Branch and the First Sales Branch of Tianjin Gas (both branches of 天津市燃氣集團有限公司), including outdoor pipelines, at consideration of approximately RMB620,737,000. The Company will allot and issue new shares to 天津市燃氣集團有限公司 to satisfy the above consideration. This transaction has not been completed up to the date of this report.

## 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 in Tianjin, on 8 May 2009, the Company entered into a capital increase agreement with 天津市燃氣集團有限公司 (“Tianjin Gas”) (one of the promoters and substantial shareholder of the Company) and Tianjin Public Infrastructure Construction Company (“Tianjin Infrastructure”) (wholly-owned subsidiary of Tianjin Gas), both being the original shareholders of Tianjin Binhai Gas Limited (“Binhai Company”), whereby the Company agreed to contribute RMB8,778,000 (approximately HK\$9,966,000) in cash in Binhai Company and become a new shareholder of Binhai Company, whereas Tianjin Gas and Tianjin Infrastructure agreed to accept the Company as a new shareholder of Binhai Company. After completion of the capital increase, the registered capital of Binhai Company will increase from RMB5,000,000 (of which RMB3,000,000 (60%) was contributed by Tianjin Gas and RMB2,000,000 (40%) was contributed by Tianjin Infrastructure) to RMB7,200,000, whereas the equity interest of Binhai Company will be owned as to 30.55%, 41.67% and 27.78% respectively by the Company, Tianjin Gas and Tianjin Infrastructure. RMB2,200,000 out of the said contribution of RMB8,778,000 (approximately HK\$2,498,000) will become the registered capital of Binhai Company, while the remaining RMB6,578,000 will be transformed as the reserve fund of Binhai Company.

As Tianjin Gas is one of the promoters and a substantial shareholder of the Company, the entering into the capital increase agreement also constitutes a connected transaction of the Company and is subject to reporting and announcement requirements under the GEM Listing Rules. For details, please refer to the Company’s announcement dated 11 May 2009.

On 2 July 2009, Tianjin Gas and the Company entered into a conditional gas transportation agreement (the “Gas Transportation Contract”). Pursuant to the Gas Transportation Contract, the Company agrees to allow Tianjin Gas to transmit natural gas to end users via the gas pipelines owned and managed by the Company. In return, Tianjin Gas will pay to the Company the gas transportation fees. The annual caps for the gas transportation fees in respect of the three years ending 31 December 2011 are RMB18 million, RMB40 million and RMB55 million respectively.

The entering into the Gas Transportation Contract constitutes a continuing connected transaction of the Company. The annual caps do not fall under the exemption in Rules 20.33 and 20.34 of the GEM Listing Rules and are subject to the reporting, announcement and independent shareholders’ approval requirements under the Rules 20.45 to 20.54 of the GEM Listing Rules. This transaction has been approved by the independent shareholders of the Company in September 2009.

For details, please refer to the Company’s announcement dated 3 July 2009 and the Company’s circular dated 24 July 2009.



## Business Review

For the nine months ended 30 September 2009, the Group reported a revenue of approximately RMB200,911,000, representing an increase of approximately 127.23% as compared with the corresponding period in the previous year. The net profit attributable to equity holders for the nine months ended 30 September 2009 amounted to approximately RMB30,537,000 (nine months ended 30 September 2008: approximately RMB20,126,000).

## SEGMENTAL INFORMATION ANALYSIS

During the period, the Group has continued to implement its formulated development strategies to provide piped gas connection to the users in the Group's operational locations in Tianjin City and Jining, Inner Mongolia. Sales of gas is the major source of income for the Group, which is followed by gas connection revenue, 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 2009, the Group had bank borrowings of RMB40,000,000 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 2009, 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.

## Acquisition of Assets

On 16 September 2009, the Company entered into an assets acquisition Agreement (“Assets Acquisition Agreement”) with Tianjin Gas, pursuant to which the Company conditionally agreed to acquire from Tianjin Gas the Transferred Assets (as defined in the Company’s announcement dated 5 October 2009) at the consideration of RMB620,736,991.84. The Company will allot and issue the consideration shares to Tianjin Gas to satisfy the above consideration.

On 16 September 2009, Tianjin Gas and the Company entered into the Gas Supply Contracts (as defined in the Company’s announcement dated 5 October 2009) in respect of the supply of natural gas by Tianjin Gas to the Group for the period from the completion of the proposed assets transfer to 31 December 2009 and the two years ending 31 December 2011.

The Gas Supply Contracts are conditional on the completion of Assets Acquisition Agreement.

Tianjin Gas is one of the promoters of the Company and as at the date of this report held 253,809,687 domestic shares of the Company, representing approximately 22.08% shareholding of the Company. Therefore, Tianjin Gas is a substantial shareholder of the Company (as defined in the GEM Listing Rules). Pursuant to Rule 20.11(1) of the GEM Listing Rules, Tianjin Gas is also a connected person of the Company. Pursuant to Rule 20.13(1) of the GEM Listing Rules, the proposed assets transfer constitutes a connected transaction of the Company and, pursuant to Rule 20.14, the gas supply transaction constitutes a continuing connected transaction of the Company. Pursuant to Rule 20.35 of the GEM Listing Rules, the proposed assets transfer and the gas supply transaction will be subject to the reporting, announcement and independent shareholders’ approval requirements



as set out in Rules 20.45 to 20.48 of the GEM Listing Rules. Tianjin Gas and its associates shall abstain from voting on the resolution(s) in relation to the proposed assets transfer and the gas supply transaction at the extraordinary general meeting and the class meeting.

As the applicable percentage ratios (as defined in the GEM Listing Rules) of the proposed assets transfer is higher than 100%, the proposed assets transfer constitutes a very substantial acquisition under Rule 19.06 of the GEM Listing Rules and will be subject to shareholders' approval. As the proposed assets transfer (if completed) would also increase the shareholding of Tianjin Gas in the Company from approximately 22.08% to approximately 51.30%, it also constitutes a reverse takeover under Rule 19.06(6) of the GEM Listing Rules and the Company will be treated as a new listing applicant if the proposed assets transfer proceeds. In this regard, a new listing application will be submitted to the Stock Exchange in due course.

As mentioned, the proposed assets transfer (if completed) would increase the shareholding of Tianjin Gas in the Company from approximately 22.08% to approximately 51.30%. As such, the proposed assets transfer (if completed) would trigger an obligation on Tianjin Gas to make a mandatory general offer to acquire all the issued Shares other than those already held by Tianjin Gas pursuant to Rule 26 of the Takeovers Codes.

An application will be made by Tianjin Gas to the executive director of the Corporate Finance Division of the Securities and Future Commission of Hong Kong (the "Executive") for the Whitewash Waiver pursuant to Note 1 of the Notes on dispensations from Rule 26 of the Takeovers Codes. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the independent shareholders at the extraordinary general meeting by way of poll. If the Whitewash Waiver is not granted by the Executive, the proposed assets transfer will not proceed.

A circular containing, inter alia, details of (i) the Assets Acquisition Agreement; (ii) a letter from the independent board committee of the Company containing its advice and recommendation to the independent shareholders in respect of the proposed assets transfer and the Whitewash Waiver; (iii) a letter from an independent financial adviser to the independent board committee of the Company and the independent shareholders containing its advice to the independent board committee of the Company and the independent shareholders in respect of the proposed assets transfer and the Whitewash Waiver; (iv) valuation report of the Transferred Assets prepared in compliance with Rule 11 of the Takeovers Codes; (v) valuation report of the enlarged Group's interest in land and buildings; (vi) the letter from the independent financial adviser in relation to their view on the qualification and experience of the valuer and the valuation report; (vii) notices of the extraordinary general meeting and the class meeting; and (viii) other information as required by the GEM Listing Rules will be despatched by the Company to the shareholders as soon as practicable.

For details, please refer to the Company's announcement dated 5 October 2009.

## Subsequent Event

### RENEWAL OF GAS SUPPLY CONTRACTS

On 27 October 2009, Tianjin Gas and the Company entered into the 2010 Gas Supply Contract, 2011 Gas Supply Contract and 2012 Gas Supply Contract (all as defined in the Company's announcement dated 27 October 2009) in respect of renewal of the supply of natural gas by Tianjin Gas to the Group for the period from 1 January 2010 to 31 December 2012.

On 27 October 2009, the Company and Design Institute entered into the 2010 Pipeline Design Agreement (as defined in the Company's announcement dated 27 October 2009) in respect of renewal of provision of pipeline design service by Design Institute to the Company for the period from 1 January 2010 to 31 December 2012.

As each of the percentage ratios (other than the profits ratio) for the aggregate caps of the transactions contemplated under the 2010 Gas Supply Contract, the 2011 Gas Supply Contract and the 2012 Gas Supply Contract for each of the 12 months ending 31 December 2010, 31 December 2011 and 31 December 2012 of RMB290,000,000, RMB348,000,000 and RMB416,000,000 is on an annual basis more than 2.5%, the transactions contemplated under the 2010 Gas Supply Contract, the 2011 Gas Supply Contract and the 2012 Gas Supply Contract do not fall under the exemption in Rules 20.33 and 20.34 of the GEM Listing Rules and are subject to the reporting, announcement and independent shareholders' approval requirements to approve the 2010 Gas Supply Contract, the 2011 Gas Supply Contract and the 2012 Gas Supply Contract and the respective annual caps abovementioned under Chapter 20 of the GEM Listing Rules.

As each of the percentage ratios (other than the profits ratio) for the caps of the transactions contemplated under the 2010 Pipeline Design Agreement are on an annual basis more than 2.5% but less than 25% and the annual consideration is less than HK\$10,000,000, the 2010 Pipeline Design Agreement is exempt from the independent shareholders' approval requirement and are only subject to the reporting and announcement requirements under Rule 20.34 of the GEM Listing Rules.

A circular containing details of the 2010 Gas Supply Contract, the 2011 Gas Supply Contract and the 2012 Gas Supply Contract, the advice from the independent board committee and the advice from the independent financial adviser to the independent board committee and independent shareholders of the Company, together with the notice convening the extraordinary general meeting has been dispatched to the shareholders of the Company. Tianjin Gas and its associates will abstain from voting at the aforesaid extraordinary general meeting.

For details, please refer to the Company's announcement dated 27 October 2009 and the Company's circular dated 11 November 2009.





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

As at 30 September 2009, 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 2009, 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 2009, the following, not being a Director, chief executive or supervisor of the Company, have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and required to be entered in the register maintained by the Company pursuant to section 336 of the SFO:

### Long position

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

Name of shareholder	Capacity	Number of Domestic Shares held	Approximate percentage of interests in the Company/ Domestic Shares of the Company
Tianjin Beacon Coatings Co., Ltd (Note 1) 天津燈塔塗料有限公司	Beneficial owner	118,105,313	10.27%/18.18%
Tianjin Gas Group Company Limited 天津市燃氣集團有限公司	Beneficial owner	253,809,687	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 2009, 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%/6.00%
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%/6.00%
The Waterfront Development Group Limited	Beneficial owner (note 2)	30,000,000	2.60%/6.00%
Martin Currie (Holdings) Limited	Held by controlled corporation (note 4)	46,110,000	4.01%/9.22%

#### Notes:

- As at 30 September 2009, Mr. Liu Hei Wan and Ms. Law Suet Yi jointly held the 14,500,000 H shares of the Company.
- 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.
- 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.
- Martin Currie Inc and Martin Currie Investment Management Limited are indirectly wholly owned by Martin Currie (Holdings) Limited and thus both of them are controlled corporations of Martin Currie (Holdings) Limited. Martin Currie (Holdings) Limited is deemed, or taken to be, interested in the 25,950,000 Shares and the 20,160,000 Shares beneficially owned by Martin Currie Inc and Martin Currie Investment Management Limited respectively for the purpose of the SFO.

Save as disclosed above, as at 30 September 2009, the Directors are not aware of any person, not being a Director, chief executive or supervisor of the Company, have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and required to be entered in the register maintained by the Company pursuant to section 336 of the SFO.

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

During the nine months ended 30 September 2009, 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 2009, 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**

During the nine months ended 30 September 2009, 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 2009, 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 2009, 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 2009

*As at the date of this report, the Board comprises 4 executive directors, namely Mr. Jin Jian Ping, Mr. Dong Hui Qiang, Ms. Tang Jie, Mr. Bai Shao Liang, 2 non-executive directors, namely Mr. Sun Bo Quan (Chairman) and Mr. Gong Jing, and 3 independent non-executive directors, namely Mr. Zhang Yu Li, Mr. Luo Wei Kun and Mr. Chan Shun Kuen, Eric.*

*This report will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the "Latest Company Announcements" page for at least 7 days from the date of its posting and on the Company's website at [www.hklistco.com/8290](http://www.hklistco.com/8290).*