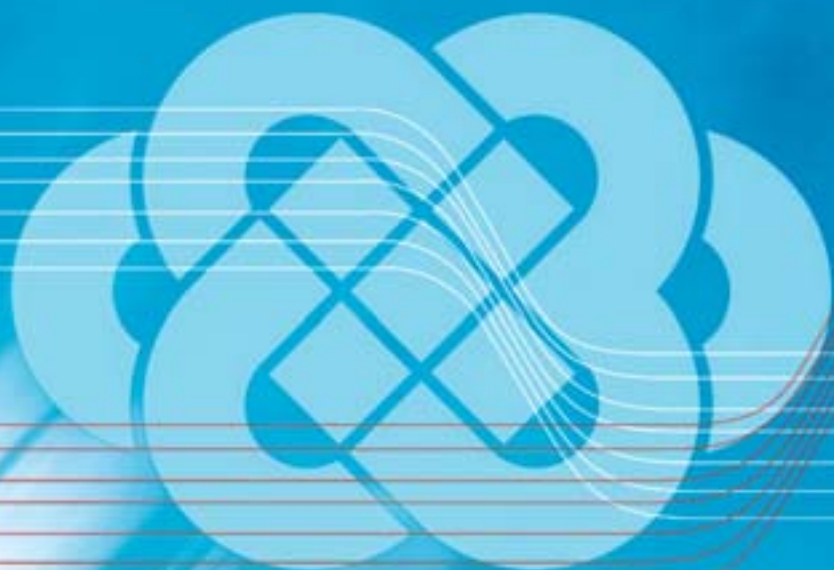




天津天聯公用事業股份有限公司

TIANJIN TIANLIAN PUBLIC UTILITIES COMPANY LIMITED\*

(於中華人民共和國註冊成立的股份有限公司)



2004 First Quarterly Report

\* For identification purpose only

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

**GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. 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.**

**The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.**

*The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.*

*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 RMB1,753,000 for the three months ended 31 March 2004.
- Gross profit of approximately RMB181,000 for the three months ended 31 March 2004.
- Net Loss of approximately RMB1,446,000 for the three months ended 31 March 2004.

## CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE THREE MONTHS ENDED 31 MARCH 2004

	<i>Notes</i>	<b>Three months ended 31/3/2004 RMB'000</b>	Three months ended 31/3/2003 RMB'000
Turnover	4&5	1,753	4,238
Cost of sales		<u>(1,572)</u>	<u>(2,013)</u>
Gross profit		181	2,225
Other operating income		17	21
Selling expenses		(24)	—
Administrative expenses		<u>(1,949)</u>	<u>(1,209)</u>
(Loss) Profit from operations		(1,775)	1,037
Finance costs		<u>(384)</u>	<u>(541)</u>
(Loss) Profit before taxation		(2,159)	496
Taxation	6	<u>713</u>	<u>(107)</u>
(Loss) Profit before minority interest		<u>(1,446)</u>	<u>389</u>
Minority interest		<u>—</u>	<u>—</u>
(Loss) Profit for the year		<u><u>(1,446)</u></u>	<u><u>389</u></u>
(Loss) per share			
— basic (RMB cents)	7	<u><u>(0.15)</u></u>	<u><u>0.06</u></u>

## **NOTES TO THE QUARTERLY FINANCIAL REPORT**

*FOR THE THREE MONTHS ENDED 31 MARCH 2004*

### **1. GENERAL**

The Company was established in Tianjin, the People's Republic of China (the "PRC") as a joint stock limited company. The Company's overseas-listed foreign shares ("H Shares") were listed on the Growth Enterprises Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 9 January 2004.

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

### **2. BASIS OF PREPARATION**

The quarterly financial information has been prepared in accordance with the paragraph 79 of Chapter 18 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

### **3. PRINCIPAL ACCOUNTING POLICIES**

The quarterly financial information has been prepared under the historical cost convention and the accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2003.

### **4. TURNOVER**

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

## 5. SEGMENT INFORMATION

### (a) Business segments

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

Segment information about these businesses are presented below:

	Turnover		Result	
	1.1.2004 to 31.3.2004 <i>RMB'000</i>	1.1.2003 to 31.3.2003 <i>RMB'000</i>	1.1.2004 to 31.3.2004 <i>RMB'000</i>	1.1.2003 to 31.3.2003 <i>RMB'000</i>
Gas connection contract revenue	964	3,371	634	2,502
Sales of gas	769	668	263	230
Sales of gas appliances	20	199	3	36
	<u>1,753</u>	<u>4,238</u>	900	2,768
Other operating income			17	21
Unallocated expenses:				
– depreciation ( <i>Note</i> )			(719)	(543)
– corporate expenses			(1,973)	(1,209)
(Loss) profit from operations			(1,775)	1,037
Finance costs			(384)	(541)
(Loss) profit before taxation			(2,159)	496
Taxation credit (charge)			713	(107)
(Loss) profit before minority interest			(1,446)	389
Minority interest			–	–
(Loss) profit for the period			<u>(1,446)</u>	<u>389</u>

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

**(b) Geographical segment**

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

**6. TAXATION**

The Company's head office in Tianjin is subject to the PRC enterprise income tax rate of 33% for the period. For the three months ended 31 March 2003, the PRC enterprise income tax had been charged at a reduced rate of 16.5% pursuant to the relevant laws and regulations in the PRC.

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

The subsidiary did not have taxable profit for the period.

	<b>1.1.2004</b>	1.1.2003
	<b>to</b>	to
	<b>31.3.2004</b>	31.3.2003
	<b>RMB'000</b>	<b>RMB'000</b>
The (credit) charge comprises:		
Current income tax	—	57
Deferred tax	<u>(713)</u>	<u>50</u>
	<u><b>(713)</b></u>	<u><b>107</b></u>

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. EARNINGS PER SHARE**

The calculation of the basic (loss) earnings per share is based on the loss for the period of RMB1,446,000 (2003: profit of RMB389,000) and the weighted average number of 968,626,373 shares (2003: 695,000,000 shares) in issue during the period.

**8. DIVIDEND**

The Directors do not recommend the payment of any dividend for the three months ended 31/3/2004 (three months ended 31/3/2003: Nil).

**9. RESERVE**

	Share premium <i>RMB'000</i>	Statutory surplus reserve <i>RMB'000</i>	Statutory public welfare fund <i>RMB'000</i>	Retained profits <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2003	—	2,483	1,241	21,535	25,259
Profit for the period	—	—	—	389	389
	<u>—</u>	<u>—</u>	<u>—</u>	<u>389</u>	<u>389</u>
At 31 March 2003	<u>—</u>	<u>2,483</u>	<u>1,241</u>	<u>21,924</u>	<u>25,648</u>
At 1 January 2004	—	4,775	2,387	41,416	48,578
Issue of H Shares	49,928	—	—	—	49,928
Shares issue expenses	(18,261)	—	—	—	(18,261)
Loss for the period	—	—	—	(1,446)	(1,446)
	<u>—</u>	<u>—</u>	<u>—</u>	<u>(1,446)</u>	<u>(1,446)</u>
At 31 March 2004	<u>31,667</u>	<u>4,775</u>	<u>2,387</u>	<u>39,970</u>	<u>78,799</u>



## MANAGEMENT DISCUSSION AND ANALYSIS

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

### BUSINESS REVIEW

For the first quarter of 2004, the Group reported a turnover of approximately RMB1,753,000, representing a decrease of approximately 58.6% as compared with the first quarter of 2003 which was mainly due to the cold weather. The Group's net loss for the first quarter of 2004 amounted to approximately RMB1,446,000.

#### Financial Resources

The Group is generally funded by equity financing and bank borrowings. In addition to the RMB56 million bank loans, which were fully utilized by the Group as at 31 March 2004, the Group has an unutilized banking facility of RMB80 million short-term unsecured loan from a bank in the PRC. Save for the RMB6 million bank loan from Commercial Bank of Tianjin City, the remaining banking facilities of RMB130 million is provided by Agricultural Bank of China. The Group intends to renew the short-term banking facilities on an annual basis.

#### Contingent Liabilities

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

#### Staff and Emolument Policy

As at 31 March 2004, the Group had a workforce of 91 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.

## PROSPECTS

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

Benefiting from the reformation of gas companies across China and the considerable demands, the Group expects to further increase the market shares and enhance the profitability. The directors and management of the Company believe that the steady business growth in the past year will help the Group to achieve good results and 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. The Group will continue to commit itself to attribute better returns to its shareholders.

## DIRECTORS' CHIEF EXECUTIVES' AND SUPERVISORS' INTERESTS IN SECURITIES

As at 31st March, 2004, the interests and short positions of the Directors, Chief Executives and Supervisors in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO") which are required (a) to be notified to the Company and the Stock Exchange pursuant to divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

### Long position

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

Name of Director/Supervisor	Capacity	Number of Domestic Shares held	Approximate percentage of beneficial interests in the Company
Mr. Wang Zhong Sheng	Held by controlled corporation (Note)	396,150,000	39.81%
Ms. Tang Jie	Beneficial owner	41,700,000	4.19%

#### Note:

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

Save as disclosed in this paragraph, as at 31st March, 2004, none of the Directors, Chief Executives and Supervisors had interest in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions

which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies relating to securities transactions by directors to be notified to the Company and the Stock Exchange.

## SUBSTANTIAL SHAREHOLDERS

So far as known to the Directors, as at 31 March 2004, the following, not being a Director or Supervisor, have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and required to be entered in the register maintained by the Company pursuant to section 336 of the SFO:

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

Name of shareholder	Capacity	Number of Domestic Shares held	Approximate percentage of beneficial interests in the Company
Tianjin Tsinlien Investment & Trade Company Limited 天津津聯投資貿易有限公司	Beneficial owner	123,014,790	12.36%
Tianjin Gas Group Company Limited 天津市燃氣集團有限公司	Beneficial owner	90,235,210	9.07%
Tianjin Leason Investment Group Company Limited	Beneficial owner	396,150,000	39.81%
Ms. Zhao Xin ( <i>Note</i> )	Family	396,150,000	39.81%

*Note:*

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

Save as disclosed above, as at 31 March 2004, the Directors are not aware of any person, not being a Director or Supervisor, have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and required to be entered in the register maintained by the Company pursuant to section 336 of the SFO.

## **DIRECTORS' INTERESTS IN CONTRACTS**

No contract of significance to which the Company or its subsidiary was a party and in which a director or supervisor of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the period.

## **SPONSOR'S INTEREST**

None of the Company's sponsor, Tai Fook Capital Limited (the "Sponsor"), nor its directors, employees or associates had any interest in the share capital of the Company as at 31 March 2004 pursuant to Rule 6.36 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules").

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

## **AUDIT COMMITTEE**

The Company established an audit committee on 3 December 2003 with written terms of reference in compliance with Rules 5.23 to 5.25 of the GEM Listing Rules. The primary duties of the audit committee are to review and to provide supervision over the financial reporting process and internal control system of the Group. The audit committee comprises the two independent non-executive directors, Professor Ma Jun Lu and Mr. Luo Wei Kun.

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

During the period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities.

By Order of the Board  
**Tianjin Tianlian Public Utilities Company Limited**  
**Wang Zhong Sheng**  
*Chairman*

The PRC, 13 May, 2004