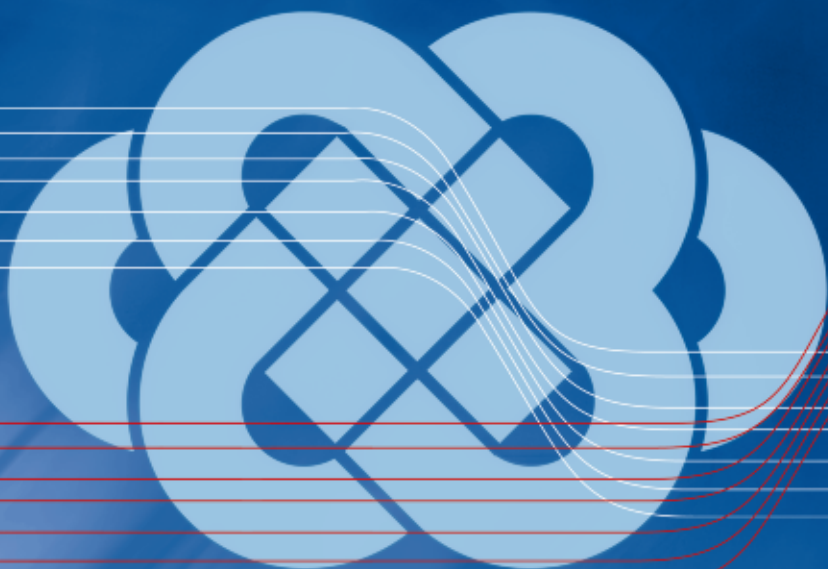




天津天聯公用事業股份有限公司

TIANJIN TIANLIAN PUBLIC UTILITIES COMPANY LIMITED*

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



2004 Interim Report

* For identification purpose only

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

HIGHLIGHTS

- Turnover of approximately RMB28,902,000 for the six months ended 30 June 2004.
- Gross profit of approximately RMB22,660,000 for the six months ended 30 June 2004.
- Net profit of approximately RMB10,357,000 for the six months ended 30 June 2004.

CONDENSED CONSOLIDATED INCOME STATEMENTS

For the three months and six months ended 30 June 2004

	Notes	Three months ended		Six months ended	
		30 June 2004 <i>RMB'000</i> <i>(Unaudited)</i>	30 June 2003 <i>RMB'000</i> <i>(Unaudited)</i>	30 June 2004 <i>RMB'000</i> <i>(Unaudited)</i>	30 June 2003 <i>RMB'000</i> <i>(Audited)</i>
Turnover	4 & 5	27,149	10,475	28,902	14,713
Cost of sales		<u>(4,670)</u>	<u>(2,359)</u>	<u>(6,242)</u>	<u>(4,372)</u>
Gross profit		22,479	8,116	22,660	10,341
Other operating income		15	30	32	51
Selling expenses		(26)	(4)	(50)	(4)
Administrative expenses		<u>(4,214)</u>	<u>(1,178)</u>	<u>(6,163)</u>	<u>(2,547)</u>
Profit from operations	6	18,254	6,964	16,479	7,841
Finance costs		<u>(384)</u>	<u>—</u>	<u>(768)</u>	<u>(381)</u>
Profit before taxation		17,870	6,964	15,711	7,460
Taxation charge	7	<u>(6,067)</u>	<u>(1,243)</u>	<u>(5,354)</u>	<u>(1,350)</u>
Profit before minority interest		11,803	5,721	10,357	6,110
Minority interest		<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Profit for the period		<u>11,803</u>	<u>5,721</u>	<u>10,357</u>	<u>6,110</u>
Earnings per share — basic <i>(RMB cents)</i>	9	<u>1.19</u>	<u>0.82</u>	<u>1.05</u>	<u>0.88</u>

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2004

	Notes	30 June 2004 RMB'000 (Unaudited)	31 December 2003 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	10	165,784	156,670
Trade debtors — due after one year	11	3,708	3,275
Prepayment — due after one year		225	—
		<u>169,717</u>	<u>159,945</u>
Current assets			
Inventories		411	256
Trade debtors — due within one year	11	26,394	6,120
Amounts due from customers for contract work		13,670	13,033
Amount due from a related party	17	124	124
Deposits, prepayments and other receivables		5,519	16,679
Bank balances and cash		58,847	2,972
		<u>104,965</u>	<u>39,184</u>
Current liabilities			
Creditors and accrued charges	12	22,253	22,457
Amount due to a shareholder	13	—	123
Income tax payable		5,366	1,605
Bank loans — due within one year		56,050	56,055
		<u>83,669</u>	<u>80,240</u>

	<i>Notes</i>	30 June 2004 RMB'000 (Unaudited)	31 December 2003 RMB'000 (Audited)
Net current assets (liabilities)		<u>21,296</u>	<u>(41,056)</u>
Total assets less current liabilities		<u>191,013</u>	<u>118,889</u>
Non-current liabilities			
Deferred taxation	14	<u>511</u>	<u>411</u>
Minority interest		<u>400</u>	<u>400</u>
		<u>190,102</u>	<u>118,078</u>
Capital and reserves			
Share capital	15	99,500	69,500
Reserves		<u>90,602</u>	<u>48,578</u>
		<u>190,102</u>	<u>118,078</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2004

	Share capital	Share premium	Statutory surplus reserve	Statutory public welfare fund	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 1 January 2003	69,500	—	2,483	1,241	21,535	94,759
Profit for the period	—	—	—	—	6,110	6,110
At 30 June 2003	69,500	—	2,483	1,241	27,645	100,869
Profit for the period	—	—	—	—	17,209	17,209
Transfer	—	—	2,292	1,146	(3,438)	—
At 31 December 2003	69,500	—	4,775	2,387	41,416	118,078
Issue of H shares	30,000	49,928	—	—	—	79,928
Shares issue expenses	—	(18,261)	—	—	—	(18,261)
Profit for the period	—	—	—	—	10,357	10,357
At 30 June 2004	<u>99,500</u>	<u>31,667</u>	<u>4,775</u>	<u>2,387</u>	<u>51,773</u>	<u>190,102</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2004

	Six months ended	
	30 June	30 June
<i>Notes</i>	2004	2003
	RMB'000	RMB'000
	(Unaudited)	<i>(Audited)</i>
Net cash from operating activities	4,506	9,323
Net cash used in investing activities	(10,298)	(33,026)
Net cash from financing activities	61,667	20,400
	55,875	(3,303)
Net increase (decrease) in cash and cash equivalents		
Cash and cash equivalents at 1 January	2,972	23,724
	58,847	20,421
Cash and cash equivalents at 30 June		
	58,847	20,421
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	58,847	20,421

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the three months and six months ended 30 June 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 condensed financial statements have 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 and with Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting".

3. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have 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			
	Three months ended 30 June		Six months ended 30 June		Three months ended 30 June		Six months ended 30 June	
	2004	2003	2004	2003	2004	2003	2004	2003
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Gas connection contract revenue	26,272	9,434	27,236	12,805	23,057	8,409	23,691	10,911
Sales of gas	720	686	1,489	1,354	138	385	401	615
Sales of gas appliances	157	355	177	554	29	134	32	170
	<u>27,149</u>	<u>10,475</u>	<u>28,902</u>	<u>14,713</u>	<u>23,224</u>	<u>8,928</u>	<u>24,124</u>	<u>11,696</u>
Other operating income					15	30	32	51
Unallocated expenses:								
– depreciation (Note)					(745)	(812)	(1,464)	(1,355)
– corporate expenses					(4,240)	(1,182)	(6,213)	(2,551)
Profit from operations					18,254	6,964	16,479	7,841
Finance costs					(384)	–	(768)	(381)
Profit before taxation					17,870	6,964	15,711	7,460
Taxation charge					(6,067)	(1,243)	(5,354)	(1,350)
Profit before minority interest					11,803	5,721	10,357	6,110
Minority interest					–	–	–	–
Profit for the period					<u>11,803</u>	<u>5,721</u>	<u>10,357</u>	<u>6,110</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. PROFIT FROM OPERATIONS

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

	Three months ended		Six months ended	
	30 June		30 June	
	2004	2003	2004	2003
	RMB'000	RMB'000	RMB'000	RMB'000
Depreciation and amortisation	1,059	919	2,133	1,563
Operating lease rentals in respect of rented premises	142	13	377	15
Write back of allowances for doubtful debts	—	—	—	(130)
Interest income	(15)	(30)	(32)	(51)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

7. TAXATION

	Three months ended		Six months ended	
	30 June		30 June	
	2004	2003	2004	2003
	RMB'000	RMB'000	RMB'000	RMB'000
The charge comprises:				
PRC income tax	5,254	1,194	5,254	1,251
Deferred taxation	813	49	100	99
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>6,067</u>	<u>1,243</u>	<u>5,354</u>	<u>1,350</u>

The Company's head office in Tianjin is subject to the PRC enterprise income tax rate of 33% for the period. For the six months ended 30 June 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.

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

8. DIVIDEND

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

9. EARNINGS PER SHARE

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

	Three months ended		Six months ended	
	30 June		30 June	
	2004	2003	2004	2003
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net profit for the period	<u>11,803</u>	<u>5,721</u>	<u>10,357</u>	<u>6,110</u>
Weighted average number of shares for the purpose of basic earnings per share	<u>995,000,000</u>	<u>695,000,000</u>	<u>981,813,186</u>	<u>695,000,000</u>

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

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June, 2004, the Group spent approximately RMB3,991,000 (2003: RMB2,156,000) on additions to pipelines and approximately RMB5,602,000 (2003: Nil) on additions to construction in progress.

11. TRADE AND OTHER RECEIVABLE

The Group has a policy of allowing average credit period of 90 days to its trade customers. For certain customers with long-established relationship and good past repayment histories, a longer credit period up to 180 days may be granted. In addition, the Group operates an instalment arrangement for its retail customers in respect of the gas connection contracts under which the customers can settle the balance by instalment over a period of 4 years.

	30 June 2004 RMB'000	31 December 2003 RMB'000
Trade receivables	30,102	9,395
Prepayments, deposits and other receivables	5,519	16,679
	<u>35,621</u>	<u>26,074</u>

The aged analysis of trade debtors is as follows:

	30 June 2004 RMB'000	31 December 2003 RMB'000
0 - 90 days	22,205	4,324
91 - 180 days	285	249
181 - 270 days	2,726	1,474
271 - 365 days	250	432
Over 365 days	4,636	2,916
	30,102	9,395
Less: Amount due after one year	(3,708)	(3,275)
Amount due within one year	<u>26,394</u>	<u>6,120</u>

12. CREDITORS AND ACCRUED CHARGES

The following is an aged analysis of accounts payable at the reporting date:

	30 June 2004 RMB'000	31 December 2003 RMB'000
0 - 90 days	4,469	6,725
91 - 180 days	56	2,699
181 - 270 days	7,879	620
271 - 365 days	21	746
Over 365 days	848	—
	<hr/>	<hr/>
Trade creditors	13,273	10,790
Other creditors and accrued charges	8,980	11,667
	<hr/>	<hr/>
	<u>22,253</u>	<u>22,457</u>

13. AMOUNT DUE TO A SHAREHOLDER

The amount was unsecured, interest free and fully repaid during the period.

14. DEFERRED TAXATION

In respect of accelerated depreciation:

	30 June 2004 RMB'000	31 December 2003 RMB'000
At beginning of the period/year	411	213
Charge for the period/year	100	198
	<hr/>	<hr/>
At end of the period/year	<u>511</u>	<u>411</u>

15. SHARE CAPITAL

	Number of shares		Registered, issued and fully paid <i>RMB'000</i>
	Domestic Shares	H Shares	
Shares of RMB0.1 each			
At 1 January 2003 and 31 December 2003	695,000,000	—	69,500
Issue of H Shares	—	300,000,000	30,000
Conversion of domestic shares to H Shares	<u>(30,000,000)</u>	<u>30,000,000</u>	<u>—</u>
Balance at 30 June 2004	<u>665,000,000</u>	<u>330,000,000</u>	<u>99,500</u>

The Company issued 300,000,000 H Shares and converted 30,000,000 Domestic Shares into H Shares by way of placing for listing of H Shares on the GEM of the Stock Exchange on 9 January 2004.

16. CAPITAL COMMITMENTS

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

	30 June 2004 RMB'000	31 December 2003 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment:		
– contracted for but not provided in the financial statements	4,105	5,880
– authorised but not contracted for	<u>131,277</u>	<u>138,159</u>
	<u>135,382</u>	<u>144,039</u>

17. RELATED PARTY TRANSACTIONS

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

Name of related party	Relationship	Nature of transactions	2004 RMB'000	2003 RMB'000
天津市燃氣集團有限公司	Shareholder	Purchase of gas (Note a)	737	628
天津市煤氣工程設計院	A subsidiary of a shareholder	Design fee for gas pipeline network (Note b)	<u>124</u>	<u>124</u>

Notes:

- (a) The selling prices of these transactions were arrived at reference to the price set by the relevant commodity price bureau.
- (b) The transaction was based on an agreed percentage of the total investment cost of the respective pipeline network project, subject to a cap of the lower of 5%, or the percentage as calculated under the pipeline design fee standard as set by the Construction Department of the State Planning Bureau of the PRC, of the total investment cost.
- (ii) At the balance sheet date, the Company has an amount of RMB124,000 (31 December 2003: RMB124,000) due from天津市煤氣工程設計院, a subsidiary of a shareholder of the Company, representing prepaid design fee for gas pipeline network.

Comparisons of the business objectives with the actual business progress set out in the prospectus of the Company for the period from 1 January 2004 to 30 June 2004 are as follows:

	Business objective as stated in prospectus Date to 30 June 2004	Actual business progress Date to 30 June 2004
Development of piped natural gas supply projects in Tianjin City:	<p>Commence gas pipeline network connections in the following districts within the Group's existing Operational Locations in Tianjin City:</p> <ul style="list-style-type: none"> • Shuang Ma district (雙馬小區), Anju district (安居小區), Lake Shuang Gang residential district (雙港湖住宅區), Shuang Lin residential district (雙林居住區), Shuang Gang National Demonstrative Town district (雙港全國示範城鎮) 	<p>Commenced gas pipeline network connections in the following districts within the Group's existing Operational Locations in Tianjin City:</p> <ul style="list-style-type: none"> • Shuang Ma district (雙馬小區) Anju district (安居小區), Lake Shuang Gang residential district (雙港湖住宅區), Shuang Lin residential district (雙林居住區), Shuang Gang National Demonstrative Town district (雙港全國示範城鎮)
Development of piped natural gas supply project in Jining:	<ul style="list-style-type: none"> • Making new connections within Jining • Commence piped natural gas in Jining 	<ul style="list-style-type: none"> • Made new connections within Jining • Prepare to commence piped natural gas in Jining.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

	Business objective as stated in prospectus Date to 30 June 2004	Actual business progress Date to 30 June 2004
Development of piped LPG supply project in Yulin:	<ul style="list-style-type: none"> • Commence infrastructure construction • Commence piped LPG supply in Yulin 	<ul style="list-style-type: none"> • Conducting preparation work for infrastructure construction • Conducting Preparation work for provision of piped LPG supply in Yulin
Estimated no. of new connections that is determined with reference to information in the Tianjin Plan, Jining Report and Yulin Report (units)	24,900	3,870
Estimated aggregate pipeline network constructed (km)	450	324
Estimated maximum daily gas supply capacity (m ³)	69,000	46,000
– Natural gas		
– LPG	2,100	0
Investment in other gas supply related projects	<ul style="list-style-type: none"> • Conduct feasibility studies on potential investment targets • Complete acquisition of a gas supply related project 	<ul style="list-style-type: none"> • Conducting feasibility studies on potential investment targets • Searching for profitable gas supply related project

Due to the cold weather in our business area in the beginning of the year, our project progress was slower than expected and hence the number of new connections was fewer than expected. Also, the economic control in China has largely affected property industry (e.g. Lending, etc). As our business is largely connected with the property market, our business progress has affected.

Furthermore, the progress for our Yulin project is slower than expected as the negotiation process was not good as expected and the process was more complex than expected. As a result, there was a delay in the commencement of the Yulin project.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

(continued)

On 1 January 2004, the Company received net proceeds, after deducting all relevant share issue expenses, of approximately HK\$60 million from the new issue of shares by way of public offer and placing. Up to 30 June 2004, the Group has applied the net proceeds as follows:

	Use of Proceeds extracted from the Prospectus up to June 2004 HK\$ million	Actual amount used up to 30 June 2004 HK\$ million
Development of piped natural gas supply projects in Tianjin City	21.7	4.6
Development of piped natural gas supply project in Jining City	15	7
Development of piped LPG supply project in Yulin City	<u>15</u>	<u>0</u>
Comparison between business objectives with actual progress	<u>51.7</u>	<u>11.6</u>

As affected by the economic control in China, our group's project progress was slower and hence, the use of proceeds was slower than expected.

Also, the negotiation progress is slower for our Yulin project and the work for Yulin project is more complex than expected and the economic control in China further affect the progress of our Yulin project.

MANAGEMENT DISCUSSION AND ANALYSIS

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

BUSINESS REVIEW

For the first half year of 2004, the Group reported a turnover of approximately RMB28,902,000, representing an increase of approximately 96% as compared with the first half year of 2003. The Group's net profit for the first half year of 2004 amounted to approximately RMB10,357,000 representing an increase of approximately 70%.

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 30 June 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 30 June, 2004, the Group had a workforce of 82 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 in the second half year of 2004. 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' AND SUPERVISORS' INTERESTS IN SECURITIES

As at 30 June, 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.

Save as disclosed in this paragraph, as at 30 June, 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 30 June 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 Beacon Coatings Co., Ltd (Note 1) 天津燈塔塗料有限公司	Beneficial owner	123,014,790	12.36%
Tianjin Gas Group Company Limited 天津市燃氣集團有限公司	Beneficial owner	90,235,210	9.07%
Tianjin Leason Investment Group Company Limited	Beneficial owner	396,150,000	39.81%
Ms. Zhao Xin (Note 2)	Family	396,150,000	39.81%

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

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

Save as disclosed above, as at 30 June 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.

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

During the six months ended 30 June 2004, neither the Company nor its subsidiary purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' INTERESTS IN CONTRACTS

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

COMPETING INTERESTS

As at 30 June 2004, the Directors are not aware of any business or interest of the directors, the initial management shareholders of the Company and their respective associates, that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

SPONSOR'S INTEREST

At 30 June 2004, none of the Company's sponsor, Tai Fook Capital Limited (the "Sponsor"), nor its directors, employees or associates had any interests in the share capital of the Company pursuant to Rule 6.36 of 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.

CORPORATE GOVERNANCE

The Company has complied with the board practices and procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules during the period of review.

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

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

Tianjin, PRC, 12 August 2004