



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 registered in the People's Republic of China with limited liability



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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.

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Company Information

DIRECTORS

Executive Directors

Wang Zhong Sheng (*Chairman*)
Yang Rui
Tang Jie
Fu Shou Gang

Non-Executive Directors

Sun Bo Quan
Gong Jing

Independent Non-executive Directors

Ma Jun Lu
Luo Wei Kun
Chan Shun Kuan

Independent Supervisors

Qi Yin Feng
Zhang Qi

SUPERVISORS

Dong Hui Qiang
Chang Jian
Sha Jin Cheng

QUALIFIED ACCOUNTANT

Kwok Shun Tim CPA ACCA MHKSI ITA MSC

COMPANY SECRETARY

Kwok Shun Tim CPA ACCA MHKSI ITA MSC

AUTHORISED REPRESENTATIVES

Wang Zhong Sheng
Kwok Shun Tim

AUDIT COMMITTEE

Ma Jun Lu
Luo Wei Kun
Chan Shun Kuen

LEGAL ADDRESS

55 Heiniucheng Road
Hexi District
Tianjin

PRINCIPAL PLACE OF BUSINESS IN THE PRC

Floor 9, Gangao Tower
18 Zhengzhou Road
He Ping District, Tianjin

AUDITORS

Deloitte Touche Tohmatsu
26th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

SPONSOR

Tai Fook Capital Limited
25th Floor, New World Tower
16-18 Queen's Road Central
Hong Kong

SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1901-1905
Hopewell Centre
183 Queen's Road East, HK

PRINCIPAL BANKER

Agricultural Bank of China
Tianjin He Xi Sub-branch
PRC

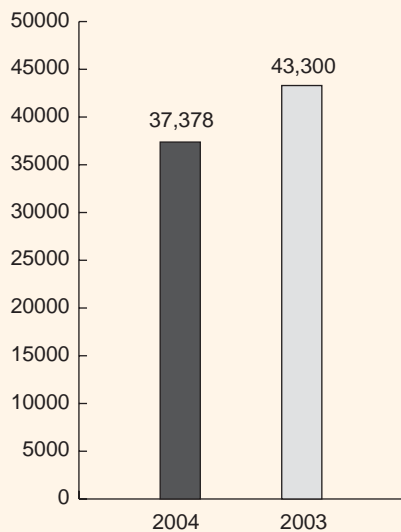
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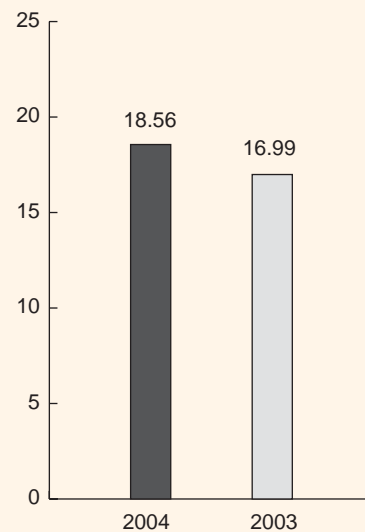
Financial Summary

	2004	2003
	RMB' 000	RMB' 000
Turnover	37,378	43,300
Gross profit	26,553	32,503
Net profit	4,899	23,319
Shareholders' interest	184,644	118,078
Total assets	254,537	199,129
	2004	2003
	RMB (cents)	RMB (cents)
Earnings per share	0.5	3.36
Net asset per share	18.56	16.99

Turnover (RMB'000)



Net asset per share (RMB cents)



Chairman's Statement

To all the shareholders:

Due to the macro-economic control in the People's Republic of China (the "PRC"), Tianjin Tianlian Public Utilities Co., Ltd. (the "Company") and its subsidiaries (collectively the "Group") did not perform as well as expected in 2004. Besides, the Group listed on GEM of the Stock Exchange on 9 January 2004 has largely increased our administrative expenses and hence, reduced our profit. We believe that the Group will achieve a satisfactory result for our shareholders in year 2005.

DEVELOPMENT OF THE PRC GAS SECTOR

Booming economic conditions, improving living standards and increasing environmental consciousness in the PRC helped spur the country's demand for natural gas. Production of natural gas in the PRC continued to grow strongly in 2004. Nonetheless, natural gas still plays a small role in the PRC's energy consumption structure. Presently, the PRC's annual per capita consumption of natural gas remained low comparing to global standard, but given the environmental benefits of using natural gas, the PRC has embarked on a major expansion of its gas infrastructure. We believe that the natural gas in the PRC will record a strong growth.

The fight against environmental pollution has topped the PRC's agenda for securing a sustainable economic growth. There has been high enthusiasm across the country to accelerate natural gas development. Piped natural gas is particularly the case given the strong growing demand in the PRC for a more convenient supply of clean fuel. As such, the piped natural gas market has entered into a stage of rapid growth.

Coal has historically been the main source of energy in the PRC. The extensive use of coal has increased the concentration of carbon dioxide and sulphur dioxide in the air and has led to serious pollution problems such as greenhouse effect, global warming and erratic weather patterns and pollutions of the atmosphere. Driven by environmental and efficiency concerns, coal, as a traditional fuel, has gradually been replaced by natural gas and LPG.

Per capita consumption of LPG also remained much lower than the world average. This suggests a strong sustainable growth in the coming years for the LPG market in the PRC. Domestic consumption is expected to record strong growth, where the increase in investment and improvement in infrastructure are providing favourable conditions for LPG consumption. Environmental protection is also exerting pressure on towns and counties in the regions to direct more energy consumption to LPG.

All above factors provide the Group's core businesses with a strong impetus for further expansion, which in turn will enable the Group to enjoy a substantial share of the considerable gains to be made by the PRC's booming gas sector.

BUSINESS DEVELOPMENT

A huge development of the century, the "West to East Natural Gas Pipelines Project" is undoubtedly a strong propellant for the gas related industries to upgrade their facilities, expand their markets and improve their efficiencies. It is also an obvious propeller for the Group's business advancement. In the wake of an abundant supply of gas resources, local gas operators in the PRC are taking initiatives to find long-term partnerships with strong gas listing enterprises of well-established brand names in order to strengthen their own competitiveness and increase their market share. The Group is taking full advantage of its brand strength and management edge to uncover more acquisition and joint venture opportunities. These efforts will enable the Group to continuously expand its market share, further strengthen its brand name and maximize the returns for shareholder.

Chairman's Statement

PROSPECTS

At present, the businesses of the Group located in Tianjin, Jining and Yulin in the PRC. The economic conditions of these cities have been providing the chance of development for the Group's business.

To complement the central government's policy to reduce coal consumption, Tianjin Municipal Government has enforced the Blue Sky Project as part of the Tenth Five-Year Plan (Source: Tianjin City's "Tenth Five-Year Plan" Domestic Economy and Social Development Guidelines). The Blue Sky Project relates to five pollution control issues and will be implemented in three stages until 2007. One of those issues is re-engineering to use clean fuel, including importing natural gas from Shaganling oil field and Russia to Tianjin, currently used appliances with natural gas burning appliances and constructing natural gas supply infrastructure.

In fact, the Macro-economic control in PRC has largely affect the Property industry and hence affect our business (gas connection).

It can be expected that the Group will continue to strengthen its LPG business, consolidate its existing resources and further develop the natural gas pipelines market through mergers and acquisitions. The Group will also keep enhancing its corporate image as a comprehensive and professional gas services provider and increasing its core competitiveness in the gas sector.

APPRECIATION

I would like to take this opportunity to thank our shareholder, customers and business associates for their continual supports and our staff for their diligence and contribution during the past year. We are a company with a qualified and professional working team and I look forward to a more rewarding 2005 for our shareholders.

Wang Zhong Sheng
Chairman

The PRC, 30 March 2005

Management Discussion and Analysis

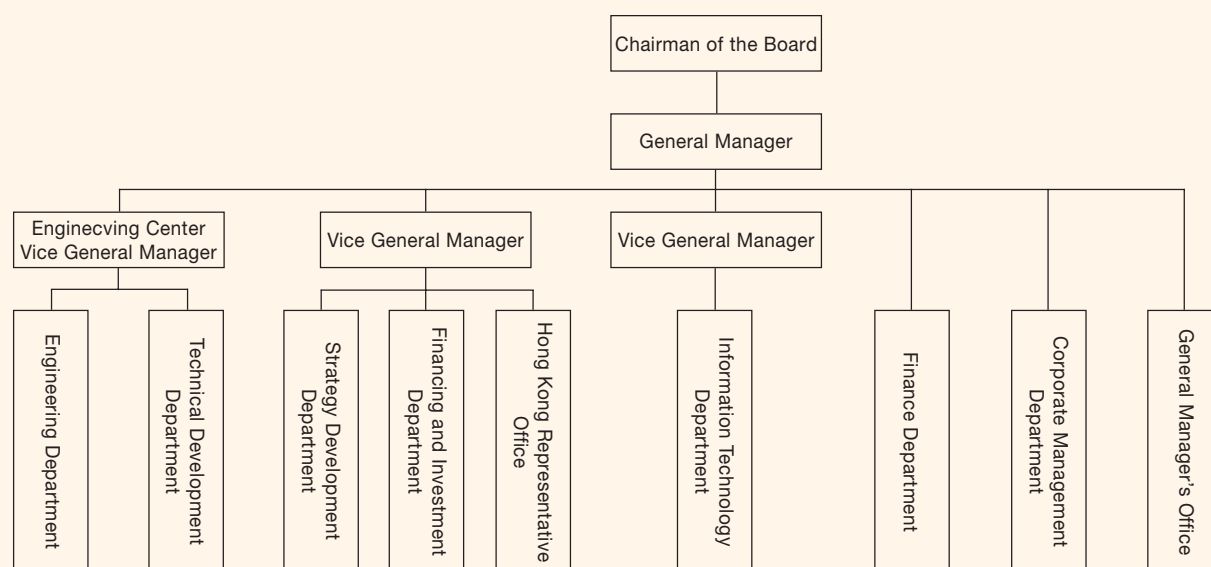
On the other hand, the Macro-economic Control in PRC has largely affect the Property industry and hence affect our business (gas connection). The Group was successfully listed on GEM of the Stock Exchange on 9 January 2004.

BUSINESS REVIEW

For the year ended 31 December 2004, the Group reported a turnover of approximately RMB37,378,000, representing a decrease of approximately 13.7% as compared with the previous year . The Group's net profit for the year 2004 amounted to approximately RMB4,899,000, decreasing by 79% as compared with the previous year.

MANAGEMENT STRUCTURE

In order to facilitate the Group's constant expansion and improvement, the Group has reorganized its management structure, as set out below:



Management Discussion and Analysis

DEVELOPMENTS OF PIPELINE NETWORK

During the year, the Group has implemented 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 with pipelines constructed up to 38.5km in aggregate. In addition to further expanding the operations in these two areas, the Group also launched the LGP gas project in Yulin, Guangxi in 2004. The Group will focus on gas supply to commercial and industrial users, which is expected to generate gas usage revenue for the Group. The Group will also seek opportunities in other potential gas markets in order to attain its strategic objectives for this year.

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 December 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.

FINANCIAL STATUS

The Group had aggregate borrowings of RMB56 million. As at 31 December 2004, the Group's current ratio (current assets to current liabilities) was approximately 0.999, while its asset liability ratio (total liabilities to total assets rate) was approximately 0.275.

CONTINGENT LIABILITIES

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

STAFF AND EMOLUMENT POLICY

As at 31 December 2004, the Group had a workforce of 84 full-time employees, among which 99% were working in the PRC.

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 growing economy in PRC and the gradual increase in private investments, all the recent factors indicate that the growth of the energy industry in the PRC 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 the PRC will continue to grow rapidly. In view of environment protection and efficiency, the government of the PRC plans to gradually reduce the use of coal and to encourage the use of green fuels such as various natural gas.

Management Discussion and Analysis

Benefiting from the reformation of gas companies across the PRC 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 the 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 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. In 2004, the Group significantly improved its financial control and adopted advanced systems to modernize its financial management. The enhanced financial management ensures the success of project development and management. The Group also aims to continuously lower the operating costs and maximize the revenue from the operating projects.
- Further its efforts in organizing personnel training and recruitment, facilitating the smooth operations and developments of the Group, developing positive corporate culture, and upgrading 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. We look forward to a fulfilling year ahead.

ACKNOWLEDGEMENT

I, on behalf of the Board, would like to thank all the staff for their diligence and perseverance during the year.

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

The PRC, 30 March 2005

Business Objectives and Use of Proceeds

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 31 December 2004 are as follows:

	Business objective as stated in prospectus Date to 31 December 2004	Actual business progress Date to 31 December 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), Jinnan Development district (津南開發區) Shuang Lin residential district (雙林居住區), Shuang Gang National Demonstrative Town district (雙港全國示範城鎮) 	<p>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) Jinnan Development district (津南開發區) Shuang Lin residential district (雙林居住區), Shuang Gang
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"> • Making new connections within Jining • prepare to commence piped natural gas in Jining

Business Objectives and Use of Proceeds

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

	Business objective as stated in prospectus Date to 31 December 2004	Actual business progress Date to 31 December 2004
Development of piped LPG	<ul style="list-style-type: none"> • Making new connections Yulin 	preparing to make new connections in Yulin
Estimated no. of new connections that is determined with reference to information in the Tianjin Plan, Jining Report and Yulin Report (units)	41,200	5,309
Estimated aggregate pipeline network constructed (km)	500	351
Estimated maximum daily gas supply capacity (m ³)		
– Natural gas	80,000	46,000
– LPG	2,700	0
Investment in other gas supply related projects	<ul style="list-style-type: none"> • Conduct feasibility studies on potential investment targets and make new investment if considered appropriate • Complete acquisition of a gas supply related project 	<ul style="list-style-type: none"> • Conduct feasibility studies on potential investment targets and make new investment if considered appropriate • searching for suitable gas supply related project

The economic control in the PRC has largely affected property industry (e.g. lending, etc), which in turn affected our business as our business is largely related with the property market.

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.

Business Objectives and Use of Proceeds

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS *(continued)*

In 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 31 December 2004, the Group has applied the net proceeds as follows:

	Use of Proceeds extracted from the Prospectus up to 31 December 2004 HK\$ million	Actual amount used up to 31 December 2004 HK\$ million
Development of piped natural gas supply projects in Tianjin City	26.7	14
Development of piped natural gas supply project in Jining City	15	9
Development of piped LPG supply project in Yulin City <i>(Note 1)</i>	15	30
Comparison between business objectives with actual progress <i>(Total)</i>	56.7	53

As affected by the economic control in the PRC, our group's project progress in Tianjin and Jining were slower and hence, the use of proceeds for these two projects were slower than expected. However, for the yulin project, the amount of proceeds used exceeded the amount as stated in the prospectus mainly because of the payment of a deposit to a gas supplier to secure gas supply.

Note 1: Actual amount used including deposit for gas supply.

Directors and Senior Management

The Company has four executive Directors, two non-executive Directors, and three independent non-executive Directors. Their details are set out below:

EXECUTIVE DIRECTORS

Mr. Wang Zhong Sheng (王忠勝先生), aged 42. He was appointed as the Chairman of the Company and executive director and is also the compliance officer of the Company. Since the incorporation of the Company in December 1998, Mr. Wang has been responsible for the Group's business strategies. He graduated from the University of Tianjin with a Bachelor degree in engineering in 1984. During the period from 1984 to 1989, he worked in Chief Project Administration Department in Tianjin city. From 1989 to 1996, he worked in Tianjin Economic Policy Research Institute (天津市經濟體制改革研究所) performing industrial and economic research. From 1996 to 1998, Mr. Wang worked in Tianjin City Wang On Property Development Company Limited (天津市宏安房地產有限公司), a PRC private company. He is also a director of Leason Investment (天津市聯盛投資集團有限公司) and is independent of Liangsheng Company.

Mr. Yang Rui (楊睿先生), aged 31. He was appointed as an executive Director in December 2001 and General Manager of the Company in October 2002 responsible for the Group's business strategies. He graduated with a Bachelor degree in Technical economics from the Tianjin University in 1996. He then obtained a Master of Business Administration degree from University of Ottawa before joining the Company in December 1999 as senior manager.

Ms. Tang Jie (唐潔女士), aged 38. She was appointed as an executive Director in December 2001 and is also the Vice General Manager of the Company responsible for financial planning of the Group. She graduated from Tianjin University of Finance and Economics (天津財經學院) with concentration on accounting studies in 1991. From 1989 to 1992, she worked for Kai Lian Company (關聯公司) as account staff. During the years from 1992 to 1996, she worked for Tianjin Ming Da Real Estate Development Company (天津明達房地產開發公司) and subsequently worked for Tianjin City Wang On Real Estate Development Company Limited (天津市宏安房地產開發有限公司), a PRC private company performing accounting work until 1998. Since the inception of the Company in December 1998, she has been working for the Company as an accountant and the Vice General Manager in the finance department.

Mr. Fu Shou Gang (付壽剛先生), aged 40. He was appointed as an executive Director and Technical Manager of the Company since the inception of the Company in December 1998 and is responsible for design and construction of pipeline networks. He graduated from University of Tianjin with a Bachelor degree in engineering majored in urban gas and heat engineering and natural gas studies in 1988. From 1988 to 1998, he worked at the design department of Tianjin Steel Group Limited (天津鋼集團有限公司) as designer.

NON-EXECUTIVE DIRECTORS

Mr. Sun Bo Quan (孫伯全), aged 53, is the Chairman of Tianjin Gas Group Company Limited (one of the Company's shareholders). Mr. Sun is a postgraduate and before he joined Tianjin Gas Group Company Limited, he is Vice Bureau head and Deputy Chief Economist of Tianjin Public Utility Bureau.

Directors and Senior Management

NON-EXECUTIVE DIRECTORS (continued)

Mr. Gong Jing (宮靖先生), aged 40, appointed as a non-executive Director in December 2001. He graduated with a Master degree as a research student in Meticulous Electronic Device Studies from University of Tianjin. From 1989 to 1993, he joined Tianjin Guang Dian Communication Company (天津光電通信公司) as an officer and was then promoted as Assistant Branch Factory Manager and finally became the Director of External Affairs. From 1993 to 1994, he acted as the Vice General Manager of Tianjin Tian Ma Entertainment Limited (天津天馬娛樂有限公司) and was promoted as Assistant General Manager and Executive Manager of Tianjin Tian Ma Technology Trading Company Limited (天津天馬科貿總公司). During the period from 1994 to 1996, he became the Assistant Director of Foreign Affairs of the Tianjin New Technology Production Park Management Commission (天津新技術產業園區管理委員會) and from 1996 to 2001, he had taken up various positions as the Secretary of Assistant Governor of Tianjin State Government, Assistant Director of the State Ministry of Information Industry in the PRC and Assistant to chief officer of the Committee of Tianjin New Technology Management District respectively. Since 2001, he has been acting as the General Manager of the Investment Development Department of both Tsinlien Investment (天津津聯投資貿易有限公司) and Tsinlien Group Co.,Ltd. (津聯集團有限公司).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Professor Ma Jun Lu (馬君濤教授), aged 50, appointed as an independent non-executive Director in October 2002. He graduated from Nan Kai University (南開大學) with a bachelor's degree in economics in 1982 and a master's degree in finance in 1985. He then studied at McMaster University in Canada and obtained a master's degree in economics in 1987. In 1993, he obtained a doctor's degree in finance at Nan Kai University (南開大學). During 1999 to 2000, he acted as a visiting professor in performing teaching, research and academic exchange activities in University of Columbia in the US. Since then, he acted as a professor and the Vice Dean in the Department of Economics. He had also acted as an independent director of Tianjin Li Sheng Pharmaceutical Holding Company Limited (天津力生制藥股份有限公司).

Mr. Luo Wei Kun (羅維昆先生), aged 65, appointed as an independent non-executive Director in October 2002. He graduated in Tsinghua University (清華大學) with a bachelor's degree in civil engineering in 1964 and started postgraduate studies in the same year. He was awarded a postgraduate diploma in civil engineering in 1967. He acted as a technician in Chinese Medicine Industrial Limited Wuhan Branch (中國醫藥工業公司武漢分公司) during 1968 to 1969 and as technician, deputy section chief, section chief, engineer and vice chief engineer in the State Ministry of Medicine-Hubei Medical Medical Manufactory Branch (國家醫藥總局湖北製藥廠制劑分廠) during 1969 to 1985. Since then, he worked as senior engineer, section chief and assistant factory manager in Tianjin Second Coal Gas Factory (天津市第二煤氣廠) during 1986 to 1992. From 1992 to 2000, he acted as vice chief engineer in Tianjin City Gas Administrative Office (天津市燃氣管理處). After his retirement in March 2000, Mr. Luo acted as consultant of Tianjin City Gas Administrative Office and Tianjin City Gas Planning Office.

Currently, he is a general director of the China Urban Cola Gas Association, a committee member of the technical committee of the China Gas Association and a member of the technical consultant committee in the Planning Office of Tianjin City.

Mr. Chan Shun Kuen, Eric, aged 42, is the head of corporate finance department of KCG Securities Asia Limited. Mr. Chan is an associate member of Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants).

Directors and Senior Management

SUPERVISORS

The company has a committee of Supervisors whose primary duty is the supervision of the discharge of the duties of the senior management of the Company, including the board of Directors, managers and senior officers. The function of the committee of Supervisors is to ensure that the senior management of the Company acts in the interests of the Company, its shareholders and employees and does not perform acts which violate PRC law or the Articles of Association. The committee of Supervisors reports to the shareholders in general meetings. The Articles of Association provides the committee of Supervisors with the right to investigate the Company's financial affairs; to carry out supervision to ensure that the Directors, managers and other senior management personnel of the Company do not act in contravention of any laws, administrative regulations or the Articles of Association in the performance of their duties; to request that any activities harmful to the interests of the Company or the Directors, managers or other senior management of the Company be rectified; to propose the convening of extraordinary general meetings of shareholders; to exercise other powers of office stipulated in the Articles of Association; and in appropriate cases, to appoint on behalf of the Company solicitors, certified public accountants or certified practicing auditors to provide assistance when the committee of supervisors exercise its rights. The committee of Supervisors currently comprises five members, one of whom is a representative of the employees. The members of the committee of Supervisors currently are:

Mr. Dong Hui Qiang (董惠強先生), aged 51, is the Chief Economist of Tianjin Gas Group Company Limited. Mr. Dong is a graduate of postgraduate course for investment management of China Social Science College and before he joined Tianjin Gas Group Company Limited, he was the Vice General Manager and Chief Economist of Water Works Group Company.

Mr. Chang Jian (常建先生), aged 40, a Supervisor, graduated from the Beijing Technical College of Economics (北京經濟學院) with concentration on Safe Engineering studies. He worked for Tianjin Paper Factory (天津造紙總廠) as assistant corporate management manager from 1986 to 1994. He then worked for Tianjin Ting Yik International Food Limited (天津頂益國際食品有限公司) as corporate management manager until 1999. Since then, he has been working in the Company's corporate management department.

Mr. Sha Jin Cheng (沙錦程先生), aged 61, a Supervisor, graduated from Hua Dong Chemical College (華東化工學院) in Organic Chemical Engineering studies in 1968. Since graduation, he had worked for Tianjin Paint Main Factory (天津油漆總廠) in the areas of colouring technology until 1979. During the period from 1980 to 1981, he studied Management of International Economy in Beijing Technical College in International Economics (北京國際經濟管理學院). He then worked for Long-Term Planning Department of Tianjin Chemical Bureau (天津市化工局長遠規劃處) from 1982 to 1991 and Department of Foreign Investment of Tianjin City (天津市外經貿委外資處) from 1992 to 1996. Since 1996, he has been working as the deputy general manager in the investment department of Tsinlien Group Company Limited (津聯集團有限公司).

Directors and Senior Management

INDEPENDENT SUPERVISORS

Professor Qi Yin Feng (齊寅峰教授), aged 67, appointed as an independent Supervisor in October 2002. He graduated from Nan Kai University (南開大學) with a Bachelor's degree in Management in 1962. Since graduation, he taught at the same university and had also acted in various positions as the assistant officer in the Faculty of Management, the officer in the Sino-French Enterprise Management Training Centre (中法企業管理幹部高級培訓中心). During the years from 1983 to 1985, he attended York University in Canada as visiting professor in the area of enterprise management and has taught in various universities in North America, Europe and Asia as visiting student. In 1990, he was awarded the Third Prize of the Technology Advance Award (科技進步三等獎) by State Technology Commission (國家科技委員會). Since 1962, he had acted an assistant director in the Tianjin Society of System Engineering (天津市系統工程學會) and the Executive Director in Tianjin Society of Management (天津市管理學會). In January 2002, he had completed the training for independent directors jointly organized the CSRC and Tsing Hua University (清華大學).

Mr. Zhang Qi (張旗先生), aged 42, appointed as an independent Supervisor in October 2002. During 1981 to 1985, he worked in the Tianjin Branch of the Bank of Commerce (中國工商銀行). During 1985 to 1988, he studied industrial enterprise management at the Tianjin University of Television Broadcast (天津廣播電視大學). From 1989 to 1994, he worked for the film department of the Tianjin Writers Association (天津作家協會) as supervisor. Since 1994, he acted as the General Manager in Tianjin New World Advertising Development Company Limited (天津新世界廣告發展有限公司).

QUALIFIED ACCOUNTANT

Mr. Kwok Shun Tim (郭純恬), aged 31, CPA, ACCA, MHKSI, ITA, MSC

Mr. Kwok is the Company Secretary and the Chief Financial Officer of the Company. Mr. Kwok graduated from the Hong Kong University of Science and Technology and he also obtained a master degree from the Hong Kong Polytechnic University (China Business Studies). He has worked for many international companies including N.C.R. (ASIA) Ltd, China Aerospace International Holdings Ltd, Wong's Investment (Holding) Co. Ltd, Eagle Faith Management Co. Ltd. and several security companies. Mr. Kwok has accumulated a lot experience in the field of audit, corporate finance and financial management. Prior to joining the Group, he was Financial Controller of Dong Kiu Properties Development Ltd and China Marina Club Developments Ltd. He joined the Company in May 2003.

SENIOR MANAGEMENT

Mr. Shi Liang (施亮先生), aged 37, joined the Company in July 2002 and is a vice general manager and the Secretary of the Board. He graduated with a Bachelor degree in Material Science in the Shanghai University of Science and Technology (上海科學技術大學) and a Master degree in Management from the Business School of the People's University in PRC (中國人民大學). He had worked for Jiangsu Nan Tong Electric Melter Company (江蘇南通電容器公司) and Electronic Industrial Division Basic Products Department (電子工業部基礎產品司). He had also worked for Jiangsu Hua Yong Electronic Group Company (江蘇華容電子集團公司) as deputy manager of International cooperation department and secretary to the board of directors. He had also held various positions as a project manager, senior manager and an assistant to Executive Director in the Investment Banking Department of United Securities Limited (聯合證券有限責任公司).

Directors and Senior Management

SENIOR MANAGEMENT *(continued)*

Mr. Zhao Tong (趙彤先生), aged 33, graduated with a Bachelor's degree in Economics and Commerce from the Tianjin University of Finance and Economics (天津財經學院). From 1995 to 1998, he acted as a manager in the futures department of Chung Ji Hua Bei Mechanical Company Limited (中機華北機械有限公司). In 1998, he became a senior project manager in the investment department of Tsinlien Group (Tianjin) Assets Management Co.,Ltd. (津聯集團(天津)資產管理有限公司). He joined the Company in March 2002.

Mr. Zhang Qing Lin (張慶林先生), aged 54, joined the company in December 1998 and is the manager of the purchase department. He graduated from the Tianjin Textile College in 1980. Before he joined the Company, he had worked for various textile manufactory companies and had accumulated over 18 years of experience as factory manager and project manager.

Mr. Liu Liang (劉亮先生), aged 45, joined the Company in December 1998 and is the manager of the service department. Before he joined the Company, he had worked for Tianjin Second State Cotton Factory (天津市國棉二廠) as sales manager during 1980 to 1985. Since then, he had worked for Tianjin Hexi Hua Tung Electronics Company (天津市河西華通電器公司) as sales manager.

Mr. Liang Jing Qi (梁靖崎小姐), aged 41, graduated with a Bachelor's degree in Law from Tianjin Normal University (天津師範大學) in 1985. Since graduation, she became a teacher in a high school in Tianjin until 1998. During 1998 to 2001, she became a vice manager in project management department of Tianlian Company. Since then, she was promoted as manager of the project management department. Ms. Liang acquired her experience in project management through her active participation in the Company's project management department.

Mr. Lan Rong Fa (藍榮發先生), aged 49, graduated from the Dalian Marine College in 1978. Before he joined the Company, he had worked for the Second Branch of Tianjin Pipeline Engineering Group Company Limited (天津市管道工程集團有限公司第二分公司) from 1979 to January 2003. Since February 2003, he has worked for the engineering department of the Company.

Directors' Report

The Board of Directors is pleased to present the audited financial statements of the Group for the year ended 31 December 2004.

TRANSFORMATION AND LISTING

Tianjin Tianlian Gas Company Limited 天津市津聯燃氣有限公司 (the "Predecessor"), the predecessor of Tianjin Tianlian Public Utilities Company Limited 天津天聯公用事業股份有限公司 (the "Company"), was established on 16 December 1998. The Company was established in the People's Republic of China (the "PRC") on 29 December 2001 as a joint stock limited company by way of transformation of the Predecessor.

On 23 May 2003, the China Securities Regulatory Commission (the "CSRC") gave its consent to the Company issuing overseas listed foreign invested shares ("H Shares") and applying for the listing of the H Shares on the Growth Enterprises Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Subsequently, the Company's H Shares are listed on the GEM of the Stock Exchange from 9 January 2004.

PRINCIPAL ACTIVITIES

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.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2004 are set out in the consolidated income statement on page 24 of the annual report.

The directors do not recommend the payment of a dividend and propose that the profit for the year be retained.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group is set out on page 48 of the annual report.

SHARE CAPITAL

Details of the Company's share capital are set out in note 20 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group and the Company are set out in note 11 to the financial statements.

Directors' Report

DIRECTORS AND SUPERVISORS

The directors and supervisors of the Company during the year and up to the date of this report were:

Executive directors:

Mr. Wang Zhong Sheng (*Chairman*)
Mr. Yang Rui
Ms. Tang Jie
Mr. Fu Shou Gang

Non-executive directors:

Mr. Sun Bo Quan
Mr. Gong Jing

Independent non-executive directors:

Professor Ma Jun Lu
Mr. Luo Wei Kun
Mr. Chan Shun Kuan

Independent supervisors:

Professor Qi Yin Feng
Mr. Zhang Qi

Supervisors:

Mr. Dong Hui Qiang
Mr. Chang Jian
Mr. Sha Jin Cheng

In accordance with the provisions of the Company's Articles of Association, the directors and supervisors are appointed for a term of three years and, being eligible, offer themselves for re-election in the annual general meeting upon expiry of the terms of office.

Directors' Report

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the executive directors has entered into a service agreement with the Company for an initial term of three years, thereafter terminable upon either party giving three-month notice.

Each of the supervisors except the independent supervisors has entered into a service agreement with the Company for a term of three years, terminable at the request of the relevant supervisor subject to shareholders' approval.

Save as disclosed above, none of the directors nor supervisors has a service contract with the Company or its subsidiary which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND SUPERVISORS' INTERESTS IN SECURITIES

As at 31 December 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	Approximate Number of Domestic Shares held	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 31 December 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.

Directors' Report

SUBSTANTIAL SHAREHOLDERS

So far as known to the Directors, as at 31 December 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 31 December 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 year.

PURCHASE, SALE OR REDEEMPTION 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' Report

SPONSOR'S INTEREST

At 31 December 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 6.35 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.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year 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.

COMPETING INTERESTS

As at 31 December 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.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the year ended 31 December 2004, 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.

CONNECTED TRANSACTIONS

The connected transactions as specified in the GEM Listing Rules undertaken by the Group are set out in note 26 to the financial statements.

In accordance with the conditions agreed with the Stock Exchange with respect to the connected transactions, the independent non-executive directors have reviewed the connected transactions. In their opinion, these transactions entered into by the Group were:

- (i) in the ordinary and usual course of business of the Group;
- (ii) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable than terms available to or from independent third parties;
- (iii) in accordance with relevant agreements governing such transactions;
- (iv) on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and
- (v) within the relevant cap amounts as agreed with the Stock Exchange.

Other than those transactions described above, there were no other transactions which need to be disclosed as connected transactions in accordance with the requirements of the GEM Listing Rules.

Directors' Report

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers of the Group together accounted for approximately 99.75% of the Group's total turnover for the year, with the largest customer accounted for approximately 48%. The five largest suppliers of the Group together accounted for approximately 86.61% of the Group's total purchases for the year, with the largest supplier accounted for 36.38%.

At no time during the year did a director, an associate of a director or a shareholder (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) has an interest in any of the Group's five largest customers or suppliers.

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 three independent non-executive directors, Professor Ma Jun Lu, Mr. Luo Wei Kun and Mr. Chan Shun Kuen. There were 4 meetings held within year 2004. Audit Committee has reviewed this report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the PRC, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

AUDITORS

Messrs. Deloitte Touche Tohmatsu were appointed as auditors of the Company during the year. A resolution will be submitted to the annual general meeting of the Company to re-appoint them as auditors.

On behalf of the Board

Tianjin Tianlian Public Utilities Company Limited
Wang Zhong Sheng
Chairman

30 March 2005

Auditors' Report

德勤 • 關黃陳方會計師行

Certified Public Accountants 香港中環干諾道中111號
26/F, Wing On Centre 永安中心26樓
111 Connaught Road Central
Hong Kong

**Deloitte
Touche
Tohmatsu**

TO THE SHAREHOLDERS OF TIANJIN TIANLIAN PUBLIC UTILITIES COMPANY LIMITED

天津天聯公用事業股份有限公司

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

We have audited the financial statements on pages 24 to 47 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2004 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

30 March 2005

Consolidated Income Statement

For the year ended 31 December 2004

	Notes	2004 RMB'000	2003 RMB'000
Turnover	4 & 5	37,378	43,300
Cost of sales		<u>(10,825)</u>	<u>(10,797)</u>
Gross profit		26,553	32,503
Other operating income		71	86
Selling expenses		(681)	(63)
Administrative expenses		<u>(14,266)</u>	<u>(5,186)</u>
Profit from operations	6	11,677	27,340
Finance costs	7	<u>(2,498)</u>	<u>(1,153)</u>
Profit before taxation		9,179	26,187
Taxation	8	<u>(4,680)</u>	<u>(2,868)</u>
Profit before minority interest		4,499	23,319
Minority interest		<u>400</u>	<u>—</u>
Net profit for the year		<u><u>4,899</u></u>	<u><u>23,319</u></u>
Earnings per share			
— basic (RMB cents)	9	<u><u>0.5</u></u>	<u><u>3.36</u></u>

Consolidated Balance Sheet

At 31 December 2004

	Notes	2004 RMB'000	2003 RMB'000
Non-current assets			
Property, plant and equipment	11	180,835	156,670
Trade debtors — due after one year	12	4,281	3,275
Prepayment — due after one year		213	—
		<u>185,329</u>	<u>159,945</u>
Current assets			
Inventories	14	613	256
Trade debtors — due within one year	12	10,661	6,120
Amounts due from customers for contract work	15	13,670	13,033
Amount due from a related party	25	—	124
Deposits, prepayments and other receivables		24,084	16,679
Bank balances and cash		20,180	2,972
		<u>69,208</u>	<u>39,184</u>
Current liabilities			
Creditors and accrued charges	16	13,284	22,457
Amount due to a shareholder	17	—	123
Income tax payable		—	1,605
Bank loans	18	56,000	56,055
		<u>69,284</u>	<u>80,240</u>
Net current assets (liabilities)		<u>(76)</u>	<u>(41,056)</u>
Total assets less current liabilities		<u>185,253</u>	<u>118,889</u>
Non-current liability			
Deferred taxation	19	609	411
Minority interest			
		—	400
		<u>184,644</u>	<u>118,078</u>
Capital and reserves			
Share capital	20	99,500	69,500
Reserves	21	85,144	48,578
		<u>184,644</u>	<u>118,078</u>

The financial statements on pages 24 to 47 were approved and authorised for issue by the Board of Directors on 30 March 2005 and are signed on its behalf by:

Wang Zhong Sheng
DIRECTOR

Fu Shou Gung
DIRECTOR

Balance Sheet

At 31 December 2004

	Notes	2004 RMB'000	2003 RMB'000
Non-current assets			
Property, plant and equipment	11	180,835	156,670
Investment in a subsidiary	13	—	600
Trade debtors — due after one year	12	4,281	3,275
Prepayment — due after one year		213	—
		<u>185,329</u>	<u>160,545</u>
Current assets			
Inventories	14	613	256
Trade debtors — due within one year	12	10,661	6,120
Amounts due from customers for contract work	15	13,670	13,033
Amount due from a related party	25	—	124
Deposits, prepayments and other receivables		24,084	15,679
Bank balances and cash		20,180	2,972
		<u>69,208</u>	<u>38,184</u>
Current liabilities			
Creditors and accrued charges	16	13,284	22,457
Amount due to a shareholder	17	—	123
Income tax payable		—	1,605
Bank loans	18	56,000	56,055
		<u>69,284</u>	<u>80,240</u>
Net current assets (liabilities)		<u>(76)</u>	<u>(42,056)</u>
Total assets less current liabilities		185,253	118,489
Non-current liability			
Deferred taxation	19	609	411
		<u>184,644</u>	<u>118,078</u>
Capital and reserves			
Share capital	20	99,500	69,500
Reserves	21	85,144	48,578
		<u>184,644</u>	<u>118,078</u>

Wang Zhong Sheng
DIRECTOR

Fu Shou Gung
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2004

	Share capital <i>RMB'000</i>	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	69,500	—	2,483	1,241	21,535	94,759
Net profit for the year	—	—	—	—	23,319	23,319
Transfer (Note 21)	—	—	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)
Net profit for the year	—	—	—	—	4,899	4,899
Transfer (Note 21)	—	—	445	222	(667)	—
At 31 December 2004	<u>99,500</u>	<u>31,667</u>	<u>5,220</u>	<u>2,609</u>	<u>45,648</u>	<u>184,644</u>

Consolidated Cash Flow Statement

For the year ended 31 December 2004

	2004 RMB'000	2003 RMB'000
Operating activities		
Profit before taxation	9,179	26,187
Adjustments for:		
Depreciation and amortisation	4,770	3,319
Interest income	(71)	(86)
Interest expenses	2,498	1,153
Allowance for bad and doubtful debts	1,265	—
Gain on disposal of property, plant and equipment	(48)	—
	<hr/>	<hr/>
Operating cash flows before movements in working capital	17,593	30,573
Increase in inventories	(357)	(110)
(Increase) decrease in trade debtors	(5,812)	50
Increase in amounts due from customer for contract work	(637)	(13,033)
(Decrease) increase in amount due from a related party	124	(124)
Increase in deposits, prepayments and other receivables	(8,618)	(1,251)
(Decrease) increase in creditors and accrued charges	(9,173)	2,444
(Decrease) increase in amount due to a shareholder	(123)	16
	<hr/>	<hr/>
Net cash generated from operations	(7,003)	18,565
Interest paid	(3,476)	(2,935)
Tax paid	(6,087)	(1,073)
	<hr/>	<hr/>
Net cash generated from operating activities	(16,566)	14,557
	<hr/>	<hr/>
Investing activities		
Purchases of property, plant and equipment	(28,024)	(53,764)
Proceeds on disposal of property, plant and equipment	60	708
Interest received	71	86
	<hr/>	<hr/>
Net cash used in investing activities	(27,893)	(52,970)
	<hr/>	<hr/>
Financing activities		
New bank loans raised	—	20,000
Establishment of a subsidiary	—	1,000
Proceeds on issuing ordinary shares	61,667	(3,340)
	<hr/>	<hr/>
Net cash generated from financing activities	61,667	17,660
	<hr/>	<hr/>
Net increase (decrease) in cash and cash equivalents	17,208	(20,753)
Cash and cash equivalents at beginning of the year	2,972	23,725
	<hr/>	<hr/>
Cash and cash equivalents at end of the year		
Bank balances and cash	<u>20,180</u>	<u>2,972</u>

Notes to the Financial Statements

For the year ended 31 December 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. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the Hong Kong Institute of Certified Public Accountants (the "HKICPA") issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (herein collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 December 2004.

The Group has commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these new HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These HKFRSs may result in changes in future as to how the results and financial position are prepared and presented.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared using the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary made up to 31 December each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Investment in subsidiary

Investment in subsidiaries is included in the Company's balance sheet at cost less any identified impairment loss.

Notes to the Financial Statements

For the year ended 31 December 2004

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Gas connection contracts

When the outcome of a gas connection contract can be estimated reliably and the stage of completion at the balance sheet date can be measured reliably, revenue from gas connection contracts is recognised based on the percentage of completion method, as measured by reference to the cost of work carried out during the year bear to the estimated total contract costs. When the outcome of a gas connection contract cannot be estimated reliably, revenue is only recognised to the extent of contract cost incurred that it is probable to be recoverable.

Instalment sales

In respect of instalment sales, revenue attributable to the sales price, exclusive of interest, is recognised at the date of sale. The sale price is the present value of the consideration, determined by discounting the instalments receivable at the imputed rate of interest. The interest element is recognised as revenue as it is earned, on a time proportion basis that takes into account the imputed rate of interest.

Others

Sales of gas and gas appliances are recognised when goods are delivered and title has passed.

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

Property, plant and equipment

Property, plant and equipments other than construction in progress are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation and amortisation are provided to write off the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives, and after taking into account their estimated residual value, using the straight-line method, as follows:

Land and Buildings	Over the shorter of the term of lease or 40 years
Pipelines	25 years
Machinery	10 – 25 years
Furniture, fixtures and equipment	5 – 8 years
Motor vehicles	5 years

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Notes to the Financial Statements

For the year ended 31 December 2004

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Construction in progress

Construction in progress represents property, plant and equipment under construction and is stated at cost less any identified impairment loss. Cost includes development expenditure and other direct costs and interest cost on the related borrowed funds during the construction period attributable to the construction of pipelines. Completed items are transferred from construction in progress to proper categories of property, plant and equipment when they are ready for their intended use.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Notes to the Financial Statements

For the year ended 31 December 2004

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

Income tax expenses represent the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Operating leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the lessees.

All other leases are classified as operating leases and rentals payable are charged to the income statement on a straight-line basis over the term of the relevant lease.

Retirement benefit scheme contribution

The retirement benefit scheme contribution charged to the income statement represents the Group's contribution payable to the retirement funds scheme managed by local social security bureau in accordance with the government regulations in the PRC.

Notes to the Financial Statements

For the year ended 31 December 2004

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 year.

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	
	2004 <i>RMB'000</i>	2003 <i>RMB'000</i>	2004 <i>RMB'000</i>	2003 <i>RMB'000</i>
Gas connection contract revenue	34,193	39,918	29,311	34,066
Sales of gas	2,815	2,723	280	1,071
Sales of gas appliances	370	659	(20)	116
	<u>37,378</u>	<u>43,300</u>	<u>29,571</u>	<u>35,253</u>
Other operating income			71	86
Unallocated expenses:				
— depreciation (<i>Note</i>)			(3,018)	(2,750)
— corporate expenses			(14,947)	(5,249)
Profit from operations			11,677	27,340
Finance costs			(2,498)	(1,153)
Profit before taxation			9,179	26,187
Taxation			(4,680)	(2,868)
Profit before minority interest			4,499	23,319
Minority interest			400	—
Profit for the year			<u>4,899</u>	<u>23,319</u>

Note: The amount represents depreciation of property, plant and equipments relating to the gas connection and sales of gas that are included in cost of sales.

Notes to the Financial Statements

For the year ended 31 December 2004

5. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

	Gas connection contract revenue		Unallocated amount		Total	
	2004	2003	2004	2003	2004	2003
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Depreciation and amortization	—	—	4,770	3,319	4,770	3,319
Additions of property, plant and equipments	—	—	28,947	59,376	28,947	59,376
Provision (write back) for allowance for doubtful debts	1,265	(401)	—	—	1,265	(401)
	<u>1,265</u>	<u>(401)</u>	<u>—</u>	<u>—</u>	<u>1,265</u>	<u>(401)</u>

An analysis of the Group's total assets and liabilities by business segment is as follows:

	2004 RMB'000	2003 RMB'000
Segment assets		
Gas connection contract revenue	31,332	22,552
Sales of gas	18,008	7
Sales of gas appliances	583	285
Unallocated corporate assets	204,614	176,285
	<u>254,537</u>	<u>199,129</u>
Segment liabilities		
Gas connection contract revenue	10,943	10,815
Sales of gas	—	123
Sales of gas appliances	120	160
Unallocated corporate liabilities	58,830	69,553
	<u>69,893</u>	<u>80,651</u>

(b) Geographical segment

The Group's operations are all located in the PRC. No geographical segment analysis is presented.

Notes to the Financial Statements

For the year ended 31 December 2004

6. PROFIT FROM OPERATIONS

	2004 RMB'000	2003 RMB'000
Profit from operations has been arrived at after charging (crediting):		
Auditors' remuneration	637	750
Staff costs including directors' and supervisors' remuneration	3,904	1,969
Depreciation and amortisation	4,770	3,319
Operating lease rentals in respect of rented premises	587	45
Allowance for (write back of) bad and doubtful debts	1,265	(401)
Cost of inventories recognised as expense	2,925	2,195
Gain on disposal of property, plant and equipment	(48)	—
Bank interest income	(71)	(86)
	2,498	1,153

7. FINANCE COSTS

	2004 RMB'000	2003 RMB'000
Interest on bank borrowings wholly repayable within five years	3,421	2,990
Less: amount capitalised in construction in progress (<i>Note 18</i>)	(923)	(1,837)
	2,498	1,153

Notes to the Financial Statements

For the year ended 31 December 2004

8. TAXATION

	2004 RMB'000	2003 RMB'000
The charge comprises:		
PRC enterprise income tax	4,482	2,670
Deferred tax	<u>198</u>	<u>198</u>
	<u>4,680</u>	<u>2,868</u>

The Company is subject to PRC enterprise income tax rate of 33% for the year. Pursuant to the relevant laws and regulations in the PRC, the Company's head office in Tianjin was subject to a reduced rate of 16.5% for the year ended 31 December 2003.

In respect of the Company's branch office in Jining, the PRC, the branch office is entitled to exemption from 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 year.

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

The tax charge for the year can be reconciled to the profit per the income statement as follows:

	2004		2003	
	RMB'000	%	RMB'000	%
Profit before taxation	<u>9,179</u>		<u>26,187</u>	
Tax at the domestic income tax rate	3,029	33.0	8,642	33.0
Tax effect of expenses that are not deductible in determining taxable profit	1,651	18	93	0.4
Effect of temporary tax relief	<u>—</u>	<u>—</u>	<u>(5,867)</u>	<u>(22.4)</u>
Tax expense and effective tax rate for the year	<u>4,680</u>	<u>51</u>	<u>2,868</u>	<u>11.0</u>

Notes to the Financial Statements

For the year ended 31 December 2004

9. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the year of RMB4,899,000 (2003: RMB23,319,000) and the weighted average number of shares of 988,442,623 (2003: 695,000,000) in issue during the year.

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

10. DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Directors and supervisors

Details of remuneration paid to the directors and supervisors during the year are as follows:

	2004 RMB'000	2003 RMB'000
Fees	667	460
Salaries and other benefits	555	326
Bonuses	—	—
Retirement benefit scheme contributions	13	13
	<u>1,235</u>	<u>799</u>

Notes to the Financial Statements

For the year ended 31 December 2004

10. DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (continued)

Analysed into:

	2004 RMB'000	2003 RMB'000
Director A	323	135
Director B	132	127
Director C	132	120
Director D	50	74
Director E	105	40
Director F	50	25
Director G	50	25
Director H	50	40
Director I	21	—
Supervisor J	126	83
Supervisor K	50	40
Supervisor L	50	40
Supervisor M	29	25
Supervisor N	29	25
Supervisor O	21	—
Supervisor P	17	—
	<u>1,235</u>	<u>799</u>

Employees

The five highest paid employees in the Group for the year included 3 directors (2003: 4 directors) and 1 supervisor (2003: 1 supervisor), details of whose remuneration are set out above. The details of the remuneration of the remaining highest paid employee for 2004 are as follows:

	2004 RMB'000
Fees	—
Salaries and other benefits	155
Retirement benefit scheme contributions	<u>4</u>
	<u>159</u>

Notes to the Financial Statements

For the year ended 31 December 2004

11. PROPERTY, PLANT AND EQUIPMENT

THE GROUP AND THE COMPANY

	Land and buildings	Pipelines	Machinery	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
COST							
At 1 January 2004	19,421	82,852	16,839	583	3,060	41,532	164,287
Additions	—	12	17	188	1,769	26,961	28,947
Transfer	17	4,075	9	—	—	(4,101)	—
Disposals	—	—	—	—	(55)	—	(55)
At 31 December 2004	<u>19,438</u>	<u>86,939</u>	<u>16,865</u>	<u>771</u>	<u>4,774</u>	<u>64,392</u>	<u>193,179</u>
DEPRECIATION AND AMORTISATION							
At 1 January 2004	636	6,402	53	193	333	—	7,617
Provided for the year	465	3,277	48	166	814	—	4,770
Eliminated on disposals	—	—	—	—	(43)	—	(43)
At 31 December 2004	<u>1,101</u>	<u>9,679</u>	<u>101</u>	<u>359</u>	<u>1,104</u>	<u>—</u>	<u>12,344</u>
NET BOOK VALUES							
At 31 December 2004	<u>18,337</u>	<u>77,260</u>	<u>16,764</u>	<u>412</u>	<u>3,670</u>	<u>64,392</u>	<u>180,835</u>
At 31 December 2003	<u>18,785</u>	<u>76,450</u>	<u>16,786</u>	<u>390</u>	<u>2,727</u>	<u>41,532</u>	<u>156,670</u>

The land and buildings are situated in the PRC and are held under medium-term land use rights.

Included in construction in progress is interest capitalised of RMB923,000 (2003: 1,837,000).

The Group has pledged certain office premises having a carrying amount of RMB10,212,000 (2003: RMB10,698,000) to secure a bank loan borrowed by the Group (Note 18).

As of 31 December 2004, the Group is in the process of applying title certificates for certain land and buildings with a carrying value of approximately RMB7,196,000 (2003: 7,143,000).

Notes to the Financial Statements

For the year ended 31 December 2004

12. TRADE RECEIVABLES

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.

The aged analysis of net trade debtors is as follows:

	THE GROUP AND THE COMPANY	
	2004 <i>RMB'000</i>	2003 <i>RMB'000</i>
0 – 90 days	5,059	4,324
91 – 180 days	400	249
181 – 270 days	2,265	1,474
271 – 365 days	491	432
Over 365 days	<u>6,727</u>	<u>2,916</u>
	14,942	9,395
Less: Amount due after one year	<u>(4,281)</u>	<u>(3,275)</u>
Amount due within one year	<u><u>10,661</u></u>	<u><u>6,120</u></u>

13. INVESTMENT IN A SUBSIDIARY

	THE COMPANY	
	2004 <i>RMB'000</i>	2003 <i>RMB'000</i>
Unlisted investment, at cost	600	600
Impairment provision	<u>(600)</u>	<u>—</u>
	<u><u>—</u></u>	<u><u>600</u></u>

Details of the Company's subsidiary, which is a limited liability company, at 31 December 2004 are as follows:

Name	Place of registration and operation	Registered capital	Proportion of registered capital held directly by the Company	Principal activities
烏盟乾生天聯公用 事業有限責任公司	PRC	RMB1,000,000 (Note)	60%	Sale of gas and gas appliances

Notes to the Financial Statements

For the year ended 31 December 2004

14. INVENTORIES

	THE GROUP AND THE COMPANY	
	2004 <i>RMB'000</i>	2003 <i>RMB'000</i>
Gas appliances	309	133
Gas	8	7
Spare parts and consumables	296	116
	613	256

All inventories are carried at cost.

15. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	THE GROUP AND THE COMPANY	
	2004 <i>RMB'000</i>	2003 <i>RMB'000</i>
Contract costs incurred plus recognized profits	13,670	13,033

16. TRADE AND OTHER PAYABLES

Included in creditors and accrued charges are trade creditors with an aged analysis as follows:

	THE GROUP AND THE COMPANY	
	2004 <i>RMB'000</i>	2003 <i>RMB'000</i>
0 – 90 days	1,428	6,725
91 – 180 days	125	2,699
181 – 270 days	249	620
271 – 365 days	—	746
Over 365 days	8,809	—
	10,611	10,790

Notes to the Financial Statements

For the year ended 31 December 2004

17. AMOUNT DUE TO A SHAREHOLDER

THE GROUP AND THE COMPANY

The amount was unsecured, interest free and payable on demand.

18. BANK LOANS

	THE GROUP AND THE COMPANY	
	2004 <i>RMB'000</i>	2003 <i>RMB'000</i>
Secured (Note 1)	6,000	6,000
Unsecured (Note 2)	50,000	50,055
	<u>56,000</u>	<u>56,055</u>

Notes:

- The amount bears interest at commercial rates and is secured by certain office premises of the Group with a net book value of RMB10,212,000 (31 December 2003: RMB10,498,000) as at 31 December 2004 (Note 11).
- The balance included a loan of RMB30,000,000 (31 December 2003: 30,000,000) borrowed specifically for the purpose of financing the construction of main pipelines in Jining, the PRC. Accordingly, interest expense RMB923,000 (2003: 1,837,000) arising from the loan is capitalised as part of the cost of the pipelines.

19. DEFERRED TAXATION

THE GROUP AND THE COMPANY

The following is the major deferred tax liability recognised and movements thereon during the year:

	Accelerated tax depreciation	
	2004 <i>RMB'000</i>	2003 <i>RMB'000</i>
At beginning of the year	411	213
Charge for the year	198	198
At end of the year	<u>609</u>	<u>411</u>

Notes to the Financial Statements

For the year ended 31 December 2004

20. SHARE CAPITAL

	Number of shares		Registered, issued and fully paid RMB'000
	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	(30,000,000)	30,000,000	—
	<u>665,000,000</u>	<u>330,000,000</u>	<u>99,500</u>
At 31 December 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.

21. RESERVES

	Share premium RMB'000	Statutory surplus reserve RMB'000	Statutory public welfare fund RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2003	—	2,483	1,241	21,535	25,259
Profit for the period	—	—	—	23,319	23,319
Transfer	—	2,292	1,146	(3,438)	—
	<u>—</u>	<u>4,775</u>	<u>2,387</u>	<u>41,416</u>	<u>48,578</u>
At 31 December 2003	—	4,775	2,387	41,416	48,578
Issue of H Shares	49,928	—	—	—	49,928
Shares issue expenses	(18,261)	—	—	—	(18,261)
Profit for the period	—	—	—	4,899	4,899
Transfer	—	445	222	(667)	—
	<u>—</u>	<u>445</u>	<u>222</u>	<u>(667)</u>	<u>—</u>
At 31 December 2004	<u>31,667</u>	<u>5,220</u>	<u>2,609</u>	<u>45,648</u>	<u>85,144</u>

Notes to the Financial Statements

For the year ended 31 December 2004

21. RESERVES (continued)

Notes:

(a) Basis of appropriations to reserves

The transfers to statutory surplus reserve and statutory public welfare fund are based on the net profit in the financial statements prepared under the PRC accounting standards.

(b) Statutory surplus reserve

Each of the Company's and its subsidiary's Articles of Association requires the appropriation of 10% of its profit after taxation determined under the PRC accounting standards each year to the statutory surplus reserve until the balance reaches 50% of the share capital. The statutory surplus reserve shall only be used for making up losses, capitalisation into share capital and expansion of the production and operation.

(c) Statutory public welfare fund

Pursuant to the PRC Company Law, each of the Company and its subsidiary shall make allocation from its profit after taxation determined under the PRC accounting standards at the rate of 5% to 10% to the statutory public welfare fund. The statutory public welfare fund can only be utilised on capital items for employees' collective welfare. Individual employee has the right to use these facilities, but the titles of these facilities are remained with the Company and its subsidiary. The statutory public welfare fund forms part of the shareholders' equity but is non-distributable other than in liquidation.

(d) Retained profits

The reserve available for distribution to shareholders is the amount which is the lesser of the accumulated profits carried forward at the balance sheet date after deduction of the current year's appropriations to the statutory surplus reserve and statutory public welfare fund determined under PRC accounting standards and that determined under general accepted accounting principles of Hong Kong.

The Company's reserves available for distribution to shareholders as at 31 December 2004, under PRC accounting standards of RMB44,412,000 (31 December 2003: RMB40,582,000).

Notes to the Financial Statements

For the year ended 31 December 2004

22. OPERATING LEASE COMMITMENTS

As lessee

At the balance sheet date, the Group and the Company had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	THE GROUP AND THE COMPANY	
	2004 <i>RMB'000</i>	2003 <i>RMB'000</i>
Within one year	345	95
In the second to fifth year inclusive	6	12
	351	107

The leases are negotiated for an average term of one year with fixed monthly rentals.

Notes to the Financial Statements

For the year ended 31 December 2004

23. CAPITAL COMMITMENTS

At the balance sheet date, the Group and the Company has the following commitments:

	THE GROUP AND THE COMPANY	
	2004	2003
	RMB'000	RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment:		
– contracted for but not provided in the financial statements	23,753	5,880
– authorised but not contracted for	93,993	138,159
	<u>117,746</u>	<u>144,039</u>

24. RETIREMENT BENEFIT SCHEME

As stipulated in the rules and regulations in the PRC, the Group contributes to the retirement benefit scheme managed by a local social security bureau in the PRC. The Group contributes a certain percentage of basic salaries of its employees to the retirement plan, and has no further obligation for the actual payment of the previous or post retirement benefit. The retirement benefit scheme is responsible for the entire present obligation to retired employees.

During the year, the retirement benefit scheme contributions amounted to RMB204,000 (2003: RMB134,000).

Notes to the Financial Statements

For the year ended 31 December 2004

25. RELATED PARTY TRANSACTIONS/CONNECTED TRANSACTIONS

During the year, the following related party transactions/connected transactions took place:

Name of related party	Relationship	Nature of transactions	2004 <i>RMB'000</i>	2003 <i>RMB'000</i>
天津市燃氣集團有限公司	Shareholder	Purchase of gas (<i>Note a</i>)	<u>1,656</u>	<u>1,296</u>
天津市煤氣工程設計院	A subsidiary of a shareholder	Design fee for gas pipeline network (<i>Note b</i>)	<u>—</u>	<u>124</u>

Notes:

- (a) The selling prices of these transactions were arrived at after arm's length negotiations between the parties and with reference to the price set by the relevant commodity price bureau. The selling price was agreed at RMB1.4 per m3 during the year ended 31 December 2002 and for the three months ended 31 March 2003. The selling price increased to RMB1.5 per m3 since 1 April 2003.
- (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.

In the opinion of the directors, the above transactions were carried out in the usual course of business.

Financial Summary

RESULTS

	For the year ended 31 December			
	2004 <i>RMB'000</i>	2003 <i>RMB'000</i>	2002 <i>RMB'000</i>	2001 <i>RMB'000</i>
Turnover	<u>37,378</u>	<u>43,300</u>	<u>43,853</u>	<u>27,140</u>
Profit before taxation	9,179	26,187	28,853	19,162
Taxation	<u>(4,680)</u>	<u>(2,868)</u>	<u>(4,914)</u>	<u>—</u>
Profit before minority interest	4,499	23,319	23,939	19,162
Minority interest	<u>400</u>	<u>—</u>	<u>—</u>	<u>—</u>
Profit for the year	<u>4,899</u>	<u>23,319</u>	<u>23,939</u>	<u>19,162</u>

ASSETS AND LIABILITIES

	At 31 December			
	2004 <i>RMB'000</i>	2003 <i>RMB'000</i>	2002 <i>RMB'000</i>	2001 <i>RMB'000</i>
Total assets	254,537	199,129	141,199	83,798
Total liabilities	(69,893)	(80,651)	(46,440)	(12,978)
Minority interest	<u>—</u>	<u>(400)</u>	<u>—</u>	<u>—</u>
Shareholders' funds	<u>184,644</u>	<u>118,078</u>	<u>94,759</u>	<u>70,820</u>

Note: The results of the Group for the three years ended 31 December 2003 and the assets and liabilities of the Group as at 31 December 2002 are extracted from the Company's prospectus dated 31 December 2003.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 2004 annual general meeting ("AGM") of Tianjin Tianlian Public Utilities Company Limited (the "Company") will be held at Floor 9, Gangao Tower, 18 Zhengzhou Road, He Ping District, Tianjin, PRC on 25 May 2005, at 9:00 a.m. to transact the following ordinary business:

As ordinary resolution:

1. To receive and adopt the audited financial statements and the reports of the Directors and Supervisors and auditors for the year ended 31 December 2004.
2. To approve the appropriation to statutory common reserve and statutory public welfare fund for the year 2004.
3. To authorise the Board of Directors to fix the Directors' and the Supervisors' remuneration.
4. To re-appoint Messrs. Deloitte Touche Tohmatsu as the Company's Auditors and authorise the Board of Directors to fix their remuneration.
5. To transact any other business.

By order of the Board
Tianjin Tianlian Public Utilities Company Limited
WANG Zhong Sheng
Chairman

The PRC, 30 March 2005

Notice of Annual General Meeting

Legal Address:

55 Heiniucheng Road
Hexi District
Tianjin

Principal Place of Business in the PRC:

Floor 9, Gangao Tower
18 Zhengzhou Road
He Ping District,
Tianjin

Notes:

1. The H share register of shareholders of the Company in Hong Kong will be closed from 22 April 2005 to 25 May 2005 (both days inclusive), during which time no transfer of H shares will be effected. All properly completed transfer forms accompanied by the relevant share certificate must be lodged with the Company's share registrar for H Shares in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1901-1905, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:00 p.m. on 21 April 2005. The holder of Domestic Shares or H shares whose name appears on the register of members of the Company at 4:00p.m. on 21 April 2005 will be entitled to attend and vote at the AGM.
2. Any holder of Domestic Shares or H shares entitled to attend and vote at the AGM convened by the above notice is entitled to appoint one or more proxies to attend and vote at the AGM on his behalf. A proxy needs not be a holder of Domestic Shares or H shares of the Company.
3. A voting proxy form for the AGM is enclosed. In order to be valid, the voting proxy form together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of the power of attorney must be delivered and in the case of Domestic Shares, to the Company at Floor 9, Gangao Tower, 18 Zhengzhou Road, He Ping District, Tianjin, PRC, in the case of holders of H shares, to the Company's H share registrar, Computershare Hong Kong Investor Services Limited at Rooms 1901-1905, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 24 hours before the time appointed for holding the AGM or any adjournment thereof.
4. Holders of Domestic Shares and H shares who intend to attend the AGM should complete the enclosed reply slip for the AGM and return it, in the case of Domestic Shares, to the Company at Floor 9, Gangao Tower, 18 Zhengzhou Road, He Ping District, Tianjin, PRC, in the case of holders of H shares, to the Company's H share registrar, Computershare Hong Kong Investor Services Limited at Rooms 1901-1905, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong on or before 30 April 2005. The reply slip may be delivered by hand, by post or by fax to the number (852) 2865 0990.