



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



2005 First Quarterly Report

* For identification purpose only

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

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This report, for which the directors of Tianjin Tianlian Public Utilities Company Limited (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (“GEM Listing Rules”) for the purposes of giving information with regard to Tianjin Tianlian Public Utilities Company Limited. 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 RMB2,787,000 for the three months ended 31 March 2005.
- Gross profit of approximately RMB3,000 for the three months ended 31 March 2005.
- Net Loss of approximately RMB4,223,000 for the three months ended 31 March 2005.

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE THREE MONTHS ENDED 31 MARCH 2005

		1 January 2005 to 31 March 2005 <i>RMB'000</i> <i>(Unaudited)</i>	1 January 2004 to 31 March 2004 <i>RMB'000</i> <i>(Unaudited)</i>
	Notes		
Turnover	4 & 5	2,787	1,753
Cost of sales		<u>(2,784)</u>	<u>(1,572)</u>
Gross profit		3	181
Other operating income		15	17
Selling expenses		(9)	(24)
Administrative expenses		<u>(3,326)</u>	<u>(1,949)</u>
Loss from operations	6	<u>(3,317)</u>	<u>(1,775)</u>
Finance costs		<u>(856)</u>	<u>(384)</u>
Loss before taxation		(4,173)	(2,159)
Taxation (charge) credit	7	<u>(50)</u>	<u>713</u>
Net loss for the period		<u><u>(4,223)</u></u>	<u><u>(1,446)</u></u>
Attributable to:			
Equity holders of the parent		(4,223)	(1,446)
Minority interest		<u>—</u>	<u>—</u>
		<u><u>(4,223)</u></u>	<u><u>(1,446)</u></u>
Loss per share attributable to equity holder of the parent			
— Basic (RMB cents)	8	<u><u>(0.42)</u></u>	<u><u>(0.15)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH 2005

	Attributable to equity holders of the parent							equity
	Share capital	Share premium	Statutory surplus reserve	Statutory welfare fund	Accumulated profits (losses)	Minority Total	Total interests	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
At 1 January 2004	69,500	–	4,775	2,387	41,416	118,078	400	118,478
Issue of H shares	30,000	49,928	–	–	–	79,928	–	79,928
Shares issue expenses	–	(18,261)	–	–	–	(18,261)	–	(18,261)
Net loss for the period	–	–	–	–	(1,446)	(1,446)	–	(1,446)
At 31 March 2004	<u>99,500</u>	<u>31,667</u>	<u>4,775</u>	<u>2,387</u>	<u>39,970</u>	<u>178,299</u>	<u>400</u>	<u>178,699</u>
At 1 January 2005	99,500	31,667	5,220	2,609	45,648	184,644	–	184,644
Net loss for the period	–	–	–	–	(4,223)	(4,223)	–	(4,223)
At 31 March 2005	<u>99,500</u>	<u>31,667</u>	<u>5,220</u>	<u>2,609</u>	<u>41,425</u>	<u>180,421</u>	<u>–</u>	<u>180,421</u>

NOTES TO THE QUARTERLY FINANCIAL REPORT

FOR THE THREE MONTHS ENDED 31 MARCH 2005

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 on 9 January 2004.

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

2. BASIS OF PREPARATION

The quarterly financial report has been prepared in accordance with Hong Kong Accounting Standard No. 34 "Interim Financial Reporting".

In preparing the quarterly financial report, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the Group having net current liabilities of RMB12,495,000 as at 31 March 2005 and having incurred loss during the period then ended.

The directors are currently liaise with one of the substantial shareholder to further develop the gas supplier business of the Group. The directors are expecting the financial position of the Group will be improved after implementing the gas supplier development plan. Furthermore, the directors of the Company are currently taking active steps to secure a one year bank borrowing of RMB25,000,000 to meet its current working capital requirement. Provided that the gas development plan is successfully implemented and the bank borrowing can be secured, the directors are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the quarterly financial report has been prepared on a going concern basis.

3. PRINCIPAL ACCOUNTING POLICIES

The quarterly financial report has been prepared under the historical cost convention and the accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2004.

In the current quarterly period, the Group has adopted, for the first time, a number of new and revised applicable Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards ("HKFRSs") (hereinafter collectively referred to as "new HKFRSs") issued by Hong Kong Institute of Certified Public Accountants, which are effective for accounting periods beginning on or after 1 January 2005. The adoption of these new HKFRSs have had no material effect in the prior or current accounting periods.

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 contract revenue, 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 is presented below:

	Turnover		Result	
	1 January 2005 to 31 March 2005 RMB'000	1 January 2004 to 31 March 2004 RMB'000	1 January 2005 to 31 March 2005 RMB'000	1 January 2004 to 31 March 2004 RMB'000
Gas connection contract revenue	1,484	964	1,010	634
Sales of gas	1,161	769	(268)	263
Sales of gas appliances	142	20	21	3
	<u>2,787</u>	<u>1,753</u>	763	900
Other operating income			15	17
Unallocated expenses:				
– depreciation (Note)			(760)	(719)
– corporate expenses			(3,335)	(1,973)
Loss from operations			(3,317)	(1,775)
Finance costs			(856)	(384)
Loss before taxation			(4,173)	(2,159)
Taxation (charge) credit			(50)	713
Loss before minority interest			(4,223)	(1,446)
Minority interest			–	–
Loss for the period			<u>(4,223)</u>	<u>(1,446)</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. LOSS FROM OPERATIONS

	1 January 2005 to 31 March 2005 RMB'000	1 January 2004 to 31 March 2004 RMB'000
Loss from operations has been arrived at after charging (crediting):		
Depreciation and amortisation	1,231	1,183
Bank interest income	<u>(15)</u>	<u>(17)</u>

7. TAXATION

The Company's head office in Tianjin is subject to the PRC enterprise income tax rate of 33% for the period (three months ended 31 March 2004: 33%).

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.

	1 January 2005 to 31 March 2005 RMB'000	1 January 2004 to 31 March 2004 RMB'000
The charge (credit) for the period comprises:		
Current income tax	—	—
Deferred taxation	<u>50</u>	<u>(713)</u>
	<u>50</u>	<u>(713)</u>

8. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss attributable to equity holders of the parent for the period of RMB4,223,000 (three months ended 31 March 2004: RMB1,446,000) and the number of 995,000,000 shares (2004: weighted average number of 968,626,373 shares) in issue during the period.

No diluted loss per share has been presented as there were no potential ordinary shares during the three months ended 31 March 2005 and 2004.

9. DIVIDEND

The Directors do not recommend the payment of any dividend for the three months ended 31 March 2005 (three months ended 31 March 2004: Nil).

10. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Company incurred approximately RMB12,778,000 (three months ended 31 March 2004: RMB6,885,000) on acquisition of property, plant and equipment.

11. BANK LOANS – DUE WITHIN ONE YEAR

During the period, the Company repaid the bank borrowing of RMB6,000,000 (three months ended 31 March 2004: Nil).

12. RELATED PARTY TRANSACTIONS

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

Name of related party	Relationship	Nature of transactions	1 January 2005	1 January 2004
			To	to
			31 March 2005	31 March 2004
			RMB'000	RMB'000
Tianjin Gas Group Co., Ltd.	Shareholder	Purchase of gas (Note)	<u>1,145</u>	<u>336</u>

Note:

The purchase prices of these transactions were arrived at by reference to the price set by the relevant commodity price bureau.

(ii) At the balance sheet date, the Company has the following balances with related parties:

Name of related party	Relationship	Nature of transactions	31 March 2005 RMB'000	31 March 2004 RMB'000
Tianjin Gas Group Co., Ltd.	Shareholder	Trade payable	910	—
Tianjin Lian Sheng Investment Group Co., Ltd.	Shareholder	Cash advance	3,000	—
			<u>3,910</u>	<u>—</u>

INDEPENDENT REVIEW REPORT



TO THE BOARD OF DIRECTORS OF
TIANJIN TIANLIAN PUBLIC UTILITIES COMPANY LIMITED

INTRODUCTION

We have been instructed by the directors of the Company to review the quarterly financial report for the three months ended 31 March 2005 set out on pages 3 to 10.

DIRECTORS' RESPONSIBILITIES

The Company's directors are responsible for the preparation of the quarterly financial report set out on pages 3 to 10. The quarterly financial report is prepared in accordance with Hong Kong Accounting Standard No. 34 "Interim Financial Reporting".

It is our responsibility to form an independent conclusion, based on our review, on the quarterly financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

REVIEW WORK PERFORMED

We conducted our review in accordance with Statement of Auditing Standards No. 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the quarterly financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the quarterly financial report.

FUNDAMENTAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS

In arriving at our review conclusion, we have considered the adequacy of the disclosures made in note 2 to the quarterly financial report in light of the net current liabilities of RMB12,495,000 as at 31 March 2005 and the loss for the period then ended. The directors are currently liaise with one of the substantial shareholders to further develop the gas supplier business of the Group. The directors are expecting the financial position of the Group will be improved after implementing the gas supplier development plan. Furthermore, the directors of the Company are currently taking active steps to secure a one year bank borrowing of RMB25,000,000 to meet its current working capital requirement. Provided that the gas supplier development plan is successfully implemented and the bank borrowing can be secured, the directors are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. The quarterly financial report has been prepared on a going concern basis, the validity of which depends upon the future funding being available and the success of gas supplier development plan. The quarterly financial report does not include any adjustments that would result from a failure by the Group to implement the gas supplier development plan and obtain future funding. We consider that appropriate disclosures have been made in the quarterly financial report and our review conclusion is not modified in this respect.

REVIEW CONCLUSION

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the quarterly financial report for the three months ended 31 March 2005.

DELOITTE TOUCHE TOHMATSU

Certified Public Accountants

Hong Kong, 12 May 2005

MANAGEMENT DISCUSSION AND ANALYSIS

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

BUSINESS REVIEW

For the first quarter of 2005, the Group reported a turnover of approximately RMB2,787,000, representing an increase of approximately 58.98% as compared with the first quarter of 1,753,000. The Group's net loss for the first quarter of 2005 amounted to approximately RMB4,223,000.

Financial Resources

The Group is generally funded by equity financing and bank borrowings. In addition to the RMB50 million bank loans, which were fully utilized by the Group as at 31 March 2004, the Group has an unutilized banking facility of RMB80 million short-term unsecured loan from a bank in the PRC, the banking facilities of RMB130 million is provided by Agricultural Bank of China. The Group intends to renew the short-term banking facilities on an annual basis.

Contingent Liabilities

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

Staff and Emolument Policy

As at 31 March 2005, the Group had a workforce of 85 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. The directors and management of the Company will try their best to bring satisfactory returns to shareholders.

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

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

DIRECTORS' CHIEF EXECUTIVES' AND SUPERVISORS' INTERESTS IN SECURITIES

As at 31 March 2005, 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 (<i>Note</i>)	396,150,000	39.81%
Ms. Tang Jie	Beneficial owner	41,700,000	4.19%

Note:

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

Save as disclosed in this paragraph, as at 31 March 2005, none of the Directors, Chief Executives and Supervisors had interest in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies relating to securities transactions by directors to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

So far as known to the Directors, as at 31 March 2005, 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., Limited (Note 1)	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 Tsinlien Investment & Trade Company Limited changed its name to Tianjin Beacon Coatings Co., Limited on 20 January 2004.
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 March 2005, the Directors are not aware of any person, not being a Director or Supervisor, have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and required to be entered in the register maintained by the Company pursuant to section 336 of the SFO.

DIRECTORS' INTERESTS IN CONTRACTS

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

SPONSOR'S INTEREST

None of the Company's sponsor, Tai Fook Capital Limited (the "Sponsor"), nor its directors, employees or associates had any interest in the share capital of the Company as at 31 March 2005 pursuant to Rule 6.36 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules").

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

AUDIT COMMITTEE

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

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.

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.

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

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

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

The PRC, 12 May 2005