



天津天聯公用事業股份有限公司  
TIANJIN TIANLIAN PUBLIC UTILITIES COMPANY LIMITED

*(a joint stock limited company incorporated in the People's Republic of China with limited liability)*  
Stock Code : 8290



2006  
First Quarterly Report

## **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 RMB9,443,000 for the three months ended 31 March 2006.
- Gross profit of approximately RMB4,278,000 for the three months ended 31 March 2006.
- Net gain of approximately RMB752,000 for the three months ended 31 March 2006.

## CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE THREE MONTHS ENDED 31 MARCH 2006

	Notes	Three months ended	
		31 March	
		2006	2005
		<i>RMB'000</i>	<i>RMB'000</i>
		<i>(unaudited)</i>	<i>(unaudited)</i>
Turnover	4 & 5	9,443	2,787
Cost of sales		<u>(5,165)</u>	<u>(2,784)</u>
Gross profit		4,278	3
Other operating income	6	922	15
Selling expenses		(51)	(9)
Administrative expenses		(3,384)	(3,326)
Finance costs		<u>(363)</u>	<u>(856)</u>
Profit (loss) before tax	7	1,402	(4,173)
Income tax expense	8	<u>(650)</u>	<u>(50)</u>
Profit (loss) for the period		<u><u>752</u></u>	<u><u>(4,223)</u></u>
Attributable to:			
Equity holders of the parent		<u><u>752</u></u>	<u><u>(4,223)</u></u>
Earnings (loss) per share			
— Basic (RMB cents)	10	<u><u>0.08</u></u>	<u><u>(0.42)</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
 FOR THE THREE MONTHS ENDED 31 MARCH 2006

	<b>Share capital</b>	<b>Share premium</b>	<b>Statutory surplus reserve</b>	<b>Statutory welfare fund</b>	<b>Accumulated profits</b>	<b>Total</b>
	<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>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
At 1 January 2005	99,500	31,667	5,220	2,609	45,648	184,644
Net loss for the period	—	—	—	—	(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>
At 1 January 2006	99,500	31,667	5,421	2,710	47,438	186,736
Net profit for the period	—	—	—	—	752	752
At 31 March 2006	<u>99,500</u>	<u>31,667</u>	<u>5,421</u>	<u>2,710</u>	<u>48,190</u>	<u>187,488</u>

## **NOTES TO THE CONDENSED FINANCIAL STATEMENTS**

*FOR THE THREE MONTHS ENDED 31 MARCH 2006*

### **1. GENERAL**

The Company was established at 55 Hei Niucheng Road Hexi District, 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 Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 9 January 2004.

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

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

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited and with the Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

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

The condensed financial statements have been prepared on the historical cost basis.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2005.

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (HKFRSs), Hong Kong Accounting Standards (HKASs) and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for the accounting periods beginning on or after 1 January 2006. The adoption of these new standards, amendments and interpretations has no material impact on the results for the current or prior accounting period of the Group.

The Group has not early applied the following new standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendments or interpretations will have no material impact on the financial statements of the Group.

HKAS 1 (Amendment)	Capital Disclosures <sup>1</sup>
HKFRS 7	Financial Instruments: Disclosures <sup>1</sup>
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies <sup>2</sup>
HK(IFRIC)-Int 8	Scope of HKFRS 2 <sup>3</sup>
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2007

<sup>2</sup> Effective for annual periods beginning on or after 1 March 2006

<sup>3</sup> Effective for annual periods beginning on or after 1 May 2006

<sup>4</sup> Effective for annual periods beginning on or after 1 June 2006

#### 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

##### 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 is presented below:

	<b>Turnover</b>		<b>Results</b>	
	<b>Three months</b>		<b>Three months</b>	
	<b>ended 31 March</b>		<b>ended 31 March</b>	
	<b>2006</b>	2005	<b>2006</b>	2005
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Gas connection contract revenue	<b>6,434</b>	1,484	<b>5,076</b>	1,010
Sales of gas	<b>2,992</b>	1,161	<b>395</b>	(268)
Sales of gas appliances	<b>17</b>	142	<b>7</b>	21
	<b>9,443</b>	2,787	<b>5,478</b>	763
Other operating income			<b>922</b>	15
Unallocated expenses			<b>(4,635)</b>	(4,095)
Finance costs			<b>(363)</b>	(856)
Profit (loss) before tax			<b>1,402</b>	(4,173)
Income tax expense			<b>(650)</b>	(50)
Profit (loss) for the period			<b>752</b>	(4,223)

## 6. OTHER OPERATING INCOME

Included in other operating income, there is a government subsidy of RMB 869,000 (2005: Nil) which represents the subsidy from the government for encouraging the Group doing business in Jinnan development zone.

**7. PROFIT (LOSS) BEFORE TAX**

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

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2006</b>	2005
	<b>RMB'000</b>	<i>RMB'000</i>
Depreciation and amortisation	1,751	1,231
Operating lease rentals	334	178
Bank interest income	<u>(54)</u>	<u>(15)</u>

**8. INCOME TAX EXPENSE**

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2006</b>	2005
	<b>RMB'000</b>	<i>RMB'000</i>
The charge comprises:		
Current PRC enterprise income tax	650	—
Deferred taxation	<u>—</u>	<u>50</u>
	<u>650</u>	<u>50</u>

The Company is subject to the PRC enterprise income tax rate of 33% for the period.

In previous year, in respect of the Company's branch office in Jining, the PRC, the branch office was 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 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.

**9. DIVIDEND**

The directors do not recommend the payment of any dividend for the period (2005: Nil).

**10. EARNINGS (LOSS) PER SHARE**

The calculation of the basic earnings (loss) per share is based on the net profit attributable to equity holders of the parent for the period of RMB 752,000 (three months ended 31 March 2005: net loss attributable to equity holders of the parent was RMB 4,223,000) and the number of shares of 995,000,000 in issue during both periods.

No diluted earnings (loss) per share has been presented as the Company had no dilutive potential ordinary shares during the period or at the balance sheet date.

**11. RELATED PARTY TRANSACTIONS**

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

Name of related party	Relationship	Nature of transactions	Three months ended 31 March	
			2006	2005
			RMB'000	RMB'000
天津市燃气集团有限公司	Shareholder	Purchase of gas (Note i)	<u>2,429</u>	<u>1,145</u>

Notes:

- (i) The purchase prices of gas from 天津市燃气集团有限公司 were with reference to the price set by the relevant commodity price bureau. The purchase price was agreed at RMB1.4 per m<sup>3</sup> during the year ended 31 December 2002 and for the three months ended 31 March 2003. The purchase price has increased to RMB1.5 per m<sup>3</sup> since 1 April 2003. Since 1 August 2005 the purchase price has increased to 1.6 per m<sup>3</sup>.

In the opinion of the directors, the above transaction was carried out in the usual course of business and on normal commercial terms.

(b) Material transactions with other state-owned entities in the PRC.

The Group operates in an economic environment currently predominated by entities directly or indirectly owned or controlled by the PRC government (these entities other than 天津市燃气集团有限公司 are hereinafter collectively referred to as “State-Owned Enterprises”). In addition, the Group’s largest shareholder is 天津市燃气集团有限公司 which is controlled by PRC government. Apart from the transactions with 天津市燃气集团有限公司 disclosed in section (a) above, the Group also conducts business with other state-controlled entities. The directors consider those state-controlled entities are independent third parties so far as the Group’s business transactions with them are concerned.

In establishing its pricing strategies and approval process for transactions with other state-controlled entities, the Group does not differentiate whether the counter-party is a state-controlled entity or not.

In addition, the Group has entered into various transactions, including deposits placements, borrowings and other general banking facilities, with certain banks and financial institutions which are state-controlled entities in its ordinary course of business. In view of the nature of those banking transactions, the directors are of the opinion that separate disclosure would not be meaningful.

Material transactions with other state-controlled entities are as follows:

	<b>Three months ended 31 March</b>	
	<b>2006</b>	2005
	<b>RMB'000</b>	<b>RMB'000</b>
Sales	<u><u>1,297</u></u>	<u><u>—</u></u>
Interest expense	<u><u>363</u></u>	<u><u>856</u></u>

Except as disclosed above, the directors are of the opinion that transactions with other state-controlled entities are not significant to the Group’s operations.

(c) Compensation of key management personnel

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

	<b>Three months ended 31 March</b>	
	<b>2006</b>	2005
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Fees	<b>188</b>	188
Salaries and other benefits	<b>84</b>	148
Retirement benefit scheme contributions	<b>1</b>	3
	<b><u>273</u></b>	<u>339</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

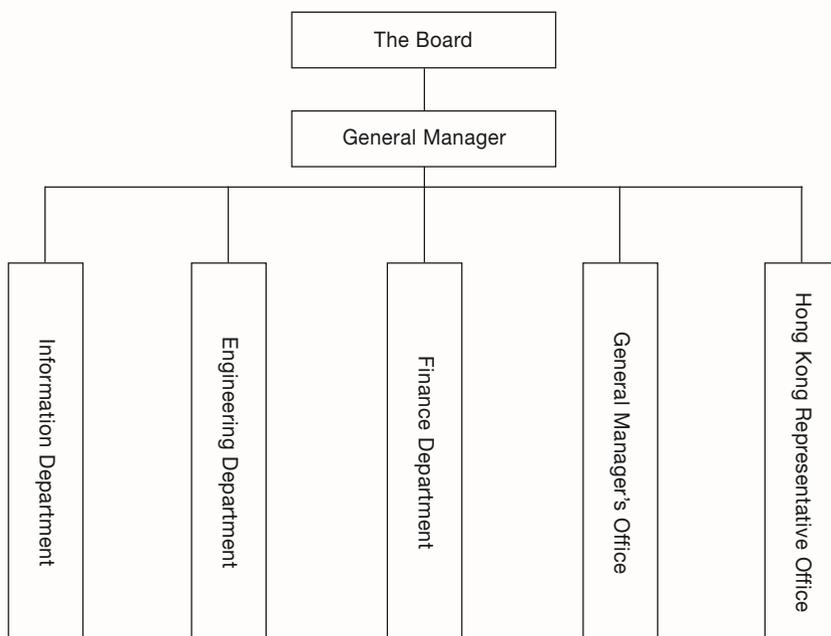
The Macro-economic Control in PRC has largely affected the Property industry and hence has affected our business (gas connection). The Group was successfully listed on GEM of the Stock Exchange on 9 January 2004.

## BUSINESS REVIEW

For the quarter ended 31 March 2006, the Group reported a turnover of approximately RMB9,443,000, representing an increase of approximately 238.8% as compared with the previous year. The Group's net profit attributable to the equity holders of the Company for the quarter ended 31 March 2006 amounted to approximately RMB752,000 (2005: net loss of approximately RMB4,223,000).

## Management Structure

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



## Segmental Information Analysis

During the quarter, 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. The gas connection revenue is still the major sources of income for the group, which is followed by sales of gas and sales of gas appliances. The group will further expand the operation in these two areas, in order to attain its strategic objectives for this year.

### **Financial Resources**

The Group is generally funded by equity financing and bank borrowings. As at 31 March, 2006, the Group had bank borrowings of RMB30,000,000 from Agricultural Bank of China.

The Group mostly uses Renminbi in its operation and it had not used any financial instrument for currency hedging purposes, as it considers that its exposure to fluctuations in exchange rates is only minimal.

The Group's asset liability ratio (total Liabilities to total Asset rate) was approximately 0.19.

### **Contingent Liabilities**

As at 31 March 2006, the Group had no material contingent liabilities or guarantees.

### **Staff and Emolument Policy**

As at 31 March 2006, the Group had a workforce of 59 full-time employees, among which 98% 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 natural gas.

Benefiting from the reformation of gas companies across China and the considerable demands, the Group expects to further increase the market share. The directors and management of the Company will try their best to bring satisfactory returns to shareholders.

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

- Focus on the balanced development of various gas-related businesses and make efforts to develop the piped gas market, including participating in the urban natural gas pipeline network projects in local areas by way of mergers or acquisitions.
- Continue to advance the research, evaluation, negotiation and other work related to existing projects, and ensure the fulfillment of the business objectives.
- Continue to strengthen the financial management of the Group. The Group also aims to continuously lower the operating costs and maximize the revenue from the operating projects.
- Further its efforts in personnel training and recruitment, facilitate the smooth operations and developments of the Group, develop positive corporate culture, and upgrade the management of the Company.

Based on these achievements, the Group will further strengthen the operating management of existing businesses and input greater resources into the market development.

## **DIRECTORS' AND SUPERVISORS' INTERESTS IN SECURITIES**

As at 31 March 2006, 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 required standard of dealings by Directors and Supervisors of the Company as referred to in Rules 5.46 of the GEM Listing Rules to be notified to the Company and the Stock Exchange were as follows:

## Long position

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

Name of Director/Supervisor	Capacity	Approximate Number of Domestic Shares held	Percentage of beneficial interests in the Company
Mr. Wang Zhong Sheng	Held by controlled corporation ( <i>Note</i> )	222,025,000	22.31%
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 as at 31 March 2006 held 222,025,000 Domestic Shares of the Company.

On 28 December 2005, Tianjin Leason Investment Group Company Limited entered into an agreement for the transfer of all its shares in the Company, completion of which took place on 20 April 2006 (refer to section below).

Save as disclosed in this paragraph, as at 31 March 2006, 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 required standard of dealings by Directors and Supervisors of the Company as referred to in Rules 5.46 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

## SUBSTANTIAL SHAREHOLDERS

So far as known to the Directors, as at 31 March 2006, the following, not being a Director, Chief Executive 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:

**Long position**

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

<b>Name of shareholder</b>	<b>Capacity</b>	<b>Number of Domestic Shares held</b>	<b>Approximate percentage of beneficial interests in the Company</b>
Tianjin Beacon Coatings Co., Ltd ( <i>Note 1</i> ) 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	264,360,210	26.57%
Tianjin Leason Investment Group Company Limited	Beneficial owner	222,025,000	22.31%
Ms. Zhao Xin ( <i>Note 2</i> )	Family	222,025,000	22.31%
Tianjin Wanshun Real Estate Company Limited ( <i>Note 3</i> ) 天津市萬順置業有限公司	Beneficial owner	235,925,000	23.71%
Tianjin Wanshun Business Development Company Limited ( <i>Note 4</i> ) 天津市萬順商務發展有限公司	Held by controlled corporation	235,925,000	23.71%
Mr. Bai Shao Liang ( <i>Note 4</i> )	Held by controlled corporation	235,925,000	23.71%

Name of shareholder	Capacity	Number of Domestic Shares held	Approximate percentage of beneficial interests in the Company
Ms. Li Sha (Note 4)	Family	235,925,000	23.71%
Mr. Bai Shao Peng (Note 4)	Held by controlled corporation	235,925,000	23.71%
Ms. Zhang Xiu Ying (Note 4)	Family	235,925,000	23.71%

*Note 1:* Tianjin Tsinlien 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 Zhong Sheng, a director 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.

*Note 3:* On 28 December 2005, Tianjin Wanshun Real Estate Company Limited ("Wanshun Real Estate") entered into two agreements with Tianjin Leason Investment Group Company Limited and Ms. Liang Jing Qi to acquire from them 222,025,000 shares and 13,900,000 shares in the Company respectively. **The relevant sale and purchase of shares was completed on 20 April 2006.**

*Note 4:* Tianjin Wanshun Business Development Company Limited ("Wanshun Business Development") holds 80% interest in Wanshun Real Estate. Mr. Bai Shao Liang holds 34.40% and 20% interests in Wanshun Business Development and Wanshun Real Estate respectively and is the sole executive director of Wanshun Real Estate. Ms. Li Sha is the wife of Mr. Bai Shao Liang. Mr. Bai Shao Peng holds 65.60% interests in Wanshun Business Development. Ms. Zhang Xiu Ying is the wife of Mr. Bai Shao Peng. Under the SFO, Wanshun Business Development. Mr. Bai Shao Liang, Ms. Li Sha, Mr. Bai Shao Peng and Ms. Zhang Xiu Ying are taken to be interested in all the shares of the Company held by Wanshun Real Estate.

On 28 December 2005, Tianjin Leason Investment Group Company Limited entered into an agreement for the transfer of all its shares in the Company, completion of which took place on 20 April 2006 (refer to section below).

Save as disclosed above, as at 31 March 2006, the Directors are not aware of any person, not being a Director, Chief Executive 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.

### SALE AND PURCHASE OF DOMESTIC SHARES

On 28 December 2005, the Board was informed by the board of directors of Tianjin Leason Investment Group Company Limited (“Leason”), Ms. Liang Jing Qi (“Ms. Liang”) and the executive director of Wanshun Real Estate of the followings:

1. on 28 December 2005 Leason and Wanshun Real Estate entered into a share transfer agreement (the “Leason Transfer Agreement”) in relation to the sale of 222,025,000 Domestic Shares (representing approximately 22.31% of the total issued share capital of the Company) by Leason to Wanshun Real Estate at a price of RMB0.29 per Domestic Share amounting to a total consideration of RMB64,387,250;
2. on 28 December 2005 Ms. Liang and Wanshun Real Estate entered into a share transfer agreement (the “Liang Transfer Agreement”) in relation to the sale of 13,900,000 Domestic Shares (representing approximately 1.40% of the total issued share capital of the Company) by Ms. Liang to Wanshun Real Estate at a price of RMB0.29 per Domestic Share amounting to a total consideration of RMB4,031,000; and
3. the entering into the Leason Transfer Agreement and the Liang Transfer Agreement were the commercial decisions of the relevant parties and were concluded after arm’s length negotiation between them. The prices of such share transfers are determined between vendors and purchaser after arm’s length negotiations with reference to the then price of the Company’s H Shares, the net asset value per share of approximately RMB0.176 of the Company’s shares (based on the 2005 interim report of the Company) and the liquidity discount of non-circulating Domestic Shares with respect to circulating H Shares.

The Company was confirmed by Wanshun Real Estate and its ultimate beneficial owners that they are not connected to Tianjin Gas Group Company Limited nor Tianjin Beacon Coatings Co., Ltd., nor are they parties acting in concert (as defined in the Hong Kong Code on Takeovers and Mergers) with Tianjin Gas Group Company Limited and/or Tianjin Beacon Coatings Co., Ltd.

## SHAREHOLDING STRUCTURE

Based on the above, upon completion of the Leason Transfer Agreement and the Liang Transfer Agreement on 20 April 2006, Wanshun Real Estate has become interested in approximately 23.71% of the total issued share capital of the Company. Wanshun Real Estate has become the second largest shareholder of the Company, Leason and Ms. Liang will not hold any Domestic Share of the Company, while Tianjin Gas Group Company Limited will remain as the largest shareholder of the Company.

The table below sets out the shareholding structure of the Company before the completion of the aforesaid two agreements and as at the date hereof: –

	Before completion of the Leason Transfer Agreement and the Liang Transfer Agreement		No. of Domestic Shares involved in the Leason Transfer Agreement and the Liang Transfer Agreement		As at the date hereof	
	No. of shares	%	No. of shares	No. of shares		
Wanshun Real Estate	–	0%	235,925,000	235,925,000	23.71%	
Initial Management Shareholders						
Leason (Note 1)	222,025,000	22.31%	(222,025,000)	–	0%	
Tianjin Beacon (Note 2)	123,014,790	12.36%	–	123,014,790	12.36%	
Tianjin Gas (Note 3)	264,360,210	26.57%	–	264,360,210	26.57%	
Ms. Tang Jie (Note 4)	41,700,000	4.19%	–	41,700,000	4.19%	
Ms. Liang (Note 5)	13,900,000	1.40%	(13,900,000)	–	0%	
Total number of Domestic Shares	665,000,000	66.83%	–	665,000,000	66.83%	
Total number of H Shares	330,000,000	33.17%	–	330,000,000	33.17%	
Total issued share capital of the Company	<u>995,000,000</u>	<u>100.00%</u>	<u>–</u>	<u>995,000,000</u>	<u>100.00%</u>	

*Notes:*

1. Leason is owned as to 90% by Mr. Wang, and as to 10% by Ms. Zhao Xin, the wife of Mr. Wang.
2. Tianjin Beacon Paint & Coatings Co. Ltd (天津燈塔塗料有限公司) (formerly known as Tianjin Tsinlien Investment & Trade Company Limited (天津津聯投資貿易有限公司)), is a state-owned enterprise established in the PRC with limited liability and is beneficially owned by the Tianjin Municipal Government.
3. Tianjin Gas, a state-owned enterprise established in PRC with limited liability, and beneficially owned by the Tianjin Municipal Government.
4. Ms. Tang Jie is an executive Director of the Company.
5. Ms. Liang was a senior management of the Company responsible for the project management department of the Company. (Ms. Liang ceased to be the senior management of the Company after the date of disposal of the equity interest.)

## **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 quarter.

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

During the quarter ended 31 March 2006, neither the Company nor its subsidiary purchased, sold or redeemed any of the Company's listed securities.

## **COMPLIANCE ADVISOR'S INTEREST**

At 31 March 2006, none of the Company's Compliance Advisor, Guotai Junan Capital Limited (the "Compliance Advisor"), nor its directors, employees or associates had any interests in the share capital of the Company.

Pursuant to an agreement dated 12 September 2005 entered into between the Company and the Compliance Advisor, the Compliance Advisor will receive usual sponsorship fees for acting as the Company's Compliance Advisor for the period from 12 September 2005 to 31 December 2006.

## **ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES**

At no time during the quarter 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 March 2006, 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 quarter ended 31 March 2006, the Company had adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry with all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by directors.

## **AUDIT COMMITTEE**

The Company established an audit committee on 3 December 2003 with written terms of reference in compliance with 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. The Audit Committee has reviewed the report for 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.

By Order of the Board  
**Tianjin Tianlian Public Utilities Company Limited**  
**Sun Bo Quan**  
*Chairman*

The PRC, 12 May 2006